2001/2002: Report 3

OFFICE OF THE
Auditor General
of British Columbia

Follow-up of Performance reports

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The Honourable Claude Richmond
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
V8V 1X4

Dear Sir:

I have the honour to transmit herewith to the Legislative Assembly of British Columbia my 2002/2003: Report 3 on the Follow-up of Performance Reports.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

Victoria, British Columbia
July 2002

copy: Mr. E. George MacMinn, Q.C.
Clerk of the Legislative Assembly

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Follow-up of Performance Reports

Auditor General's Comments

I am pleased to present in this report the results of my Office's follow-up work on 11 performance reports issued between 1996 and 2001.

We perform follow-up reviews to provide the Legislative Assembly and the public with an update on the progress made by management in implementing our recommendations and those made by the Select Standing Committee on Public Accounts. Our recommendations are designed to improve public sector performance, and are an important value-added component of our work.

We follow a process in our review that was agreed to with the Select Standing Committee on Public Accounts. As we complete a follow-up review, we provide a report to the Committee. Periodically, all of the reports provided to the Committee are assembled into a report for the Legislative Assembly.

Our approach to completing our follow-up reviews is to ask management of the organizations with responsibility for the matters examined to provide us with written representations describing action taken with respect to the recommendations. We then review these representations to determine if the information reported, including an assessment of the progress made in implementing the recommendations, was presented fairly in all significant respects (Appendix B). For each report we reviewed, we concluded that it was.

In this report, we provide a summary of each of our original reports, our overall conclusions, a summary of the overall status of recommendations and each organization's response to our request for an accounting of progress.

I am pleased that management has accepted our recommendations and has taken action to implement 93% of them as illustrated in the Summary of Status of Recommendations. I encourage the government organizations concerned to complete the implementation of all of these recommendations as I believe it is important that they be implemented on a timely basis.

I wish to express my appreciation to the staff and senior management of the organizations we reviewed for their cooperation in preparing the follow-up reports, providing the appropriate documentation and assisting my staff throughout the review process.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

Victoria, British Columbia
July 2002

Summary of Status of Recommendations

The following table summarizes the status of recommendations included in the original reports and the recommendations made by the Select Standing Committee on Public Accounts.

Report	Total Number of Recommendations	Fully Implemented	Substantially Implemented	Partially Implemented	Alternative Action	No Action	Further Follow-up Required
Fostering a Safe Learning Environment	OAG 19	3	3	9	4		13
Earthquake Preparedness	OAG 22	9		10	2	1	11
	PAC 25	14		8		3	11
Social Housing:							
▪ Governance	OAG 15	11	2	1	1		0
▪ Subsidies	OAG 12	11		1			0
Managing the Cost of Drug Therapies and Fostering	OAG 10	5	1	4			4
Appropriate Drug Use	PAC 1	1					0
Management Consulting							
▪ Focused on Ministry of Finance	OAG 3		1	1	1		2
▪ Focused on ministries (9 applies to all)	OAG 9						
▪ Advanced Education	9	2	5	1		1	2
▪ Children and Family Development	9	2	6	1			1
▪ Competition, Science and Enterprise	9	3	2	4			4
▪ Forests	9	9					0
▪ Health	9	6	2		1		0
	45						
Managing the Woodlot Licence Program	OAG 19	8	4	6	1		0
Collection of Overdue	OAG 32	10		21		1	22
Accounts Receivable	PAC 4	1		2		1	3
Year 2000 Preparedness	OAG 7	7					0
	PAC 2	2					0
BC Ferry:							
▪ Fleet and Terminal	OAG 8	1		7			7
Maintenance Management	PAC 3	2		1			1
▪ Operational Safety	OAG 10	9	1				0
	PAC 3	3					0
Total OAG	202	96	27	66	10	3	66
Total PAC	38	23		11		4	15
Grand Total	**240**	**119**	**27**	**77**	**10**	**7**	**81**
Percentage		**50%**	**11%**	**32%**	**4%**	**3%**	**34%**

Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee on Public Accounts regarding the follow-up of recommendations in

2000/01 Report 1:

Ministry of Education

Fostering A Safe Learning Environment: How the British Columbia School System is Doing

July 2002

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

We have carried out a follow-up review of the implementation of the recommendations in our Report #1—2001/2002: *Fostering a Safe Learning Environment—How the British Columbia Public School System is Doing* and enclose the following:

- My opinion on the status provided by management.
- A summary of the original report showing the audit purpose, scope and overall conclusion.
- A summary of the status of recommendations.
- A summary of status of implementation by recommendation.
- Management's representations on the status of recommendations.
- Timetable of Reports Issued and Public Accounts Committee Meetings on Report #1—2002/2002: *Fostering a Safe Learning Environment—How the British Columbia Public School System is Doing.*

We plan to carry out further follow-up reviews of progress with our recommendations, particularly those addressed to school districts, as part of an audit of the ministry's monitoring of school district accountability contracts.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

July 20, 2002

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our follow-up of the recommendations from Report #1—2001/2002: *Fostering a Safe Learning Environment—How the British Columbia Public School System is Doing.*

Information as to the status of the recommendations was provided to us by the Ministry of Education. We reviewed this response in July of 2002.

We have reviewed the representations provided by the Ministry of Education regarding progress in implementing the recommendations. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the Status Report on Implementation of the Auditor General's recommendations does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our June 2000 report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

July 20, 2002

Summary of Original Report on Fostering A Safe Learning Environment: How the British Columbia School System is Doing

Audit Purpose and Scope

The purpose of this audit was to assess the extent to which the public school system in British Columbia is fostering a safe learning environment—one in which students behave in a socially responsible manner, are treated with respect, and feel secure to engage in learning, safe from physical threat, bullying, harassment, intimidation and intolerance.

There are many factors outside the control of the school system that influence attitudes and behaviours needed for a safe learning environment: family, community and cultural influences, and socioeconomic conditions. Our audit was focused on the actions being undertaken in the public school system (kindergarten to grade 12) to foster safe learning.

We looked at The Ministry of Education's policy guidelines for dealing with disruptive behaviour, safe learning programs, core curriculum to foster socially responsible behaviour and related resource materials and teacher in-service training programs that have been introduced over the last three or four years.

We did not audit the delivery of student health and development programs in the then Ministry of Children & Families or programs in the then Ministry of Attorney General designed to reduce violence in the community. Rather, we gathered information about how efforts are coordinated across other programs related to safe learning—so that we could assess the efforts of the Ministry of Education and the rest of the school system as part of the bigger picture.

We visited several school districts, where we met with principals and vice-principals, teachers, counsellors, students and parents at elementary, middle and secondary schools. We also interviewed superintendents, directors of instruction, members of district parent advisory committees, school safety contacts, district counsellors and school board trustees. As well, we attended meetings and presentations of district committees working to reduce aggression and improve safe learning in schools.

We surveyed every school district in the province by distributing a random sample of questionnaires to teachers and school-based administrators. The questionnaires asked for details on policies, programs and curriculum being used to foster safe learning, and the extent to which results of these efforts were being tracked. To supplement the information we gathered directly from parents and students, we used the findings of student and parent surveys already done by BC Student Voice (a provincial body that speaks for students), the Ministry of Education, the BC Safe Schools Centre and the McCreary Centre Society.

Overall Conclusion

We concluded that for most students British Columbia schools are, generally, safe places to spend time and learn. However, in every school there are incidents of aggressive behaviour that negatively impact the learning environment.

The public school system in the province had developed policies and programs designed to address aggression. As well, curriculum for promoting socially responsible behaviour had been made part of the province's core requirements for kindergarten to grade twelve. Early indications suggested that these efforts were worthwhile, although more needed to be done to fully implement the initiatives and to properly assess the extent to which various strategies were working.

Summary of Status of Recommendations

Fostering A Safe Learning Environment: How the British Columbia School System is Doing

Original Issue Date: June 2000

Year Followed Up: 2002

Summary of status at June 2002	OAG	PAC	Further Follow-up Required
Total Recommendations	**19**	**0**	**14***
Fully Implemented	2	0	0
Substantially Implemented	3	0	0
Partially Implemented	5	0	5*
Alternative Action	8	0	8*
No Action	1	0	1*

*The Auditor General will follow up on further implementation by school districts, and the ministry's monitoring of district progress, as part of an audit of the school district accountability contract process.

Summary of Status of Implementation by Recommendation

Fostering a Safe Learning Environment: How the British Columbia Public School System is Doing (Report 1: 2000/01)

As at June 30, 2002

Recommendations	Implementation Status				
	Fully	Substantially	Partially*	Alternative Action*	No Action
Programs for developing pro-social skills and reducing aggression 1. The ministry and school districts should expand efforts to provide EBS (Effective Behaviour Support) training.		✓			
2. The Ministry of Education, along with the Ministry of Attorney General, should develop ways of giving priority to improving the database and website of the BC Safe Schools Centre.	✓				
3. School districts should find ways to improve the involvement of elementary school-ground supervisors in school initiatives to reduce aggression.				✓	
4. School districts should do more to address student aggression at the secondary level, by increasing efforts to monitor and reduce aggression, and encouraging students to report concerns.				✓	
5. School districts should follow up on contributions by outside agencies to reduce aggression by making sure lessons presented are properly integrated with subsequent classroom exercises. Also, the extent to which presentations have been effective in influencing student attitudes and behaviours should be determined, possibly with the help of those who originally made the presentations.				✓	

*The Auditor General will follow up on further implementation by school districts, and the ministry's monitoring of district progress, as part of an audit of the school district accountability contract process.

Recommendations	Implementation Status				
	Fully	Substantially	Partially*	Alternative Action*	No Action
Curriculum support and in-service for teachers in promoting socially responsible student behaviour 6. The Ministry of Education should re-organize the grade collection for Career and Personal Planning curriculum to assist secondary teachers in ranking the usefulness of listed resources, and notify teachers when it is available.			✓		
7. The Ministry of Education should call for meetings with the province's universities and the College of Teachers to emphasize the need for mandatory pre-service courses for teachers on classroom strategies for dealing with difficult behaviours and for delivering Personal Planning and Career and Personal Planning curriculum.			✓		
8. The Ministry of Education should identify or develop suitable resources for teachers and students to recognize and report student depression and suicidal gestures.		✓			
9. The Ministry of Education and school districts should provide teachers with suitable guidance for encouraging tolerance and respect for students of same sex orientation.		✓			
10. The Ministry of Education should assess the extent to which teachers would benefit from training in identifying students' special needs and in adapting teaching strategies to meet those needs. The initial focus should be on elementary teachers, to increase the chances that students will start off with the help they need to develop a positive relationship with their teachers and peers.			✓		

*The Auditor General will follow up on further implementation by school districts, and the ministry's monitoring of district progress, as part of an audit of the school district accountability contract process.

Recommendations	Implementation Status				
	Fully	Substantially	Partially*	Alternative Action*	No Action
Policy guidelines for dealing with disruptive behaviour 11. The Ministry of Education should resolve with senior representatives of the ministries of Attorney General and Children & Families coordination problems in developing and distributing safe learning policy guidelines.	✓				
12. All school districts should have their own critical incident plans tailored to particular district and school circumstances. These plans should include details of who must do what, when and where in a critical situation. As well, districts should periodically provide training and practice sessions to all school administrators..				✓	
13. School districts should offer more guidance to school administrators on how to improve the learning environment through positive means, and so assist in reducing the use of out-of-school suspensions.				✓	
14. School districts should encourage school staff to clarify and enforce student behaviour expectations that are included in school codes of conduct.				✓	
15. The Ministry of Education should work with school districts to develop specific guidance for school administrators on how to give feedback to teachers in a constructive way, and on how to manage the grievance process.					✓
16. School districts should encourage students to come forward with concerns about how school staff are interacting with them, This should include better means for reporting and follow up at the school level as well as the school district level if concerns are not properly addressed.				✓	

*The Auditor General will follow up on further implementation by school districts, and the ministry's monitoring of district progress, as part of an audit of the school district accountability contract process.

Recommendations	Implementation Status				
	Fully	Substantially	Partially*	Alternative Action*	No Action
Policy guidelines for dealing with disruptive behaviour (continued) 17. School districts should develop ways to improve case management for "at risk" students, involving school staff and staff from the Ministry for Children & Families.				✓	
Evaluation of safe learning initiatives 18. The Ministry of Education should consider examining schools and districts where student academic performance is significantly below provincial averages, so that underlying reasons can be identified and possibly addressed.			✓		
19. The Ministry of Education develop a database for monitoring student aggression and encourage input from, and use by, schools and districts so that province-wide efforts can be properly evaluated and, if need be, modified.			✓		

*The Auditor General will follow up on further implementation by school districts, and the ministry's monitoring of district progress, as part of an audit of the school district accountability contract process.

Response from the Ministry of Education

Introduction

In June 2000, the Office of the Auditor General of British Columbia issued a report entitled *Fostering a Safe Learning Environment: How the British Columbia Public School System is Doing*. This report assessed *"...the extent to which the public school system in BC is fostering a safe learning environment—one in which students behave in a socially responsible manner, are treated with respect, and feel secure to engage in learning, safe from physical threat, bullying, harassment, intimidation, and intolerance."*

The report provided nineteen recommendations to the Ministry of Education and school boards for ways of improving efforts to ensure that our schools maintain safe and caring learning environments. In its initial response to the report, the Ministry of Education signaled that staff welcomed the assessment and made a commitment to address the recommendations contained in the report.

The Ministry of Education has agreed with the Auditor General's office that ensuring BC schools consistently provide safe learning environments is a complex task. Though children and youth spend only a small portion of their lives in school, schools are jointly responsible, with parents and communities, for students' human and social development and their development as citizens. Schools offer critical opportunities for young people to learn how to be safe and socially responsible.

In its initial response to the Auditor General's Report, which was printed as pages 91 -103 in *Fostering a Safe Learning Environment*, the Ministry of Education observed that:

> *"...achieving acceptable levels of school safety across the province takes more coordinated and sustained effort than can be mounted in schools alone...Our schools reflect their local communities and are influenced by them, sometimes mirroring the violence that is present in society. However, schools are uniquely positioned to lead and model positive, constructive alternatives to violence and victimization. Students can be taught pro-social skills, and schools can lead communities by example."* (p. 91-92)

Government introduced the Safe Schools Initiative in 1997, in response to a key recommendation of the long-standing Inter-

Ministerial Youth Violence and Crime Committee, chaired by the Ministry of the Attorney General (now Ministry of Public Safety and Solicitor General). The goals of the Safe Schools Initiative have been:

- to raise awareness of safety concerns;
- to better coordinate community efforts through the Safe School Centre;
- to address systematically existing policy and resource gaps;
- to provide practical support to school boards and schools as they respond to safety concerns; and
- to support schools and communities in broadening and solidifying practices that promote pro-social skill development and reduce violence.

The Auditor General's observations and recommendations have guided the Ministry's efforts to achieve these goals. In the last five years, considerable effort has been directed to enhancing the 'infrastructure' in schools and communities across BC to support and sustain local safe school efforts. Much of this effort will be described in this report.

We wish to report, as well, that as a result of the recent Core Review, undertaken by all government ministries during 2001, it has been determined that the Ministry of Public Safety and Solicitor General will assume the primary responsibility for addressing the government's strategic goal of ensuring safe, healthy communities. That Ministry's Service Plan describes the intent to strengthen and continue community-based restorative justice initiatives in the year ahead. This will include continued operation of the BC Safe School Centre and maintenance of the Inter-Ministerial Youth Violence and Crime Committee. The Service Plan can be reviewed at: www.gov.bc.ca/prem/popt/corereview/srv_pln/pssg/

The Ministry of Education, for its part, will no longer partner in the Safe School Initiative, but instead will focus on four key goals:

1. Improved student achievement;
2. Responsible citizens who contribute to a competitive and growing economy;

3. A top-notch, performance-oriented education system; and
4. Parity of achievement for all students, regardless of their ethnic origin, gender, geographic location, physical characteristics or socio-economic status.

In keeping with government's commitment to enhance local autonomy, while promoting accountability, school boards will determine how best to address safety concerns in their communities (relying, in part, on the tools and strategies developed through the Safe Schools Initiative), and the Ministry of Education will monitor their performance in doing so.

The Ministry is pleased to report, at June 2002, on its progress in addressing the Auditor General's recommendations arising from *Fostering a Safe Learning Environment: How the British Columbia Public School System is Doing*.

Report on Activities Directly Related to the Auditor General's Recommendations

A. Recommendations Addressed to the Ministry of Education:

Recommendation #1 (page 38)

Substantially Implemented

The Ministry and School Districts should expand efforts to provide EBS training.

Effective Behaviour Support (EBS) is a school-wide, comprehensive approach to achieving positive behaviour among students and a positive school climate. EBS focuses on teaching and modeling expected behaviours and then reinforcing those behaviours through positive recognition. The EBS system model was developed in Oregon and has been implemented in a number of jurisdictions across North America. The British Columbia Ministry of Education has partnered with the BC Council of Administrators for Special Education (BC CASE) for the last five years in providing training across BC in the use of the EBS model. The June 2000 report, *A Review of Special Education in British Columbia*, also recommended that EBS training continue.

Ministry funding to subsidize EBS training was awarded to BC CASE for five years, ending with the current year (2001/02). BC CASE has advised that it will continue to sponsor the EBS Initiative in the future, offering an array of training opportunities across the province on a cost-recovery basis.

EBS training has been provided in the province in a number of formats, including:

(a) introductory training sessions (workshops, conferences, etc.);

(b) 2-day regional training sessions, in which participation by school-teams in encouraged;

(c) 8-day "Coaches" training – a five day Summer Institute at UBC with 3 one-day follow-up sessions during the school year;

(d) Annual fall conference for practicing EBS teams ("Making Connections")

(e) follow-up training in selected topics for practicing EBS teams;

(f) the "Trainers Program"

(g) "Wraparound Facilitator Training"

Data reveal the extent of EBS training offered in the last five years:

(a) To date, nearly 1800 educators have attended introductory sessions on EBS, in workshops or conferences (awareness training).

(b) Nearly 3700 educators (representing approximately 700 school teams) have attended more intensive two-day regional school team training, offered in over 34 regional sessions around the province.

(c) To date, 262 educators have attended EBS Coaches' Summer Institute training, offered at UBC (five days of initial training on campus with three one-day follow-up sessions throughout the school year). This training is designed for educators who are expected to serve as EBS leaders/mentors in their school communities, supporting schools that have initiated EBS approaches (a strategy to enhance local capacity in sustaining EBS). Fifty-five of 59 school districts have enrolled at least one participant in this training format. Sixty participants are registered for the 2002 Summer Institute, which is being offered by BC CASE, independent of government, on a cost-recovery basis.

(d) "Making Connections," a fall provincial conference introduced several years ago for practicing EBS teams, registered 700 delegates in 2001. BC CASE advises that plans for 2002 will accommodate a larger audience.

(e) As the field began to express interest in targeted training in two key areas (applying EBS techniques at the classroom level and responding to the needs of individual students with particularly challenging behaviours), BC CASE developed workshops that focus on classroom-level interventions. In 2001/02, BC CASE sponsored eight regional training sessions for school teams already implementing EBS to address these key topics, including Functional Assessment and Development of Behaviour Plans; Classroom Systems; Working with Children Who Have Very Challenging Behaviours; and Teaching Social Skills. Registrations totaled 410.

(f) In the summer of 2001, twenty EBS coaches were selected from communities across the province to receive additional intensive training, so that they might serve as a uniformly skilled cadre of BC-based EBS workshop presenters. This strategy was introduced as a critical step in building local capacity to support EBS implementation and reducing reliance on trainers based in the United States.

(g) With funds provided by the National Crime Prevention Centre, BC CASE has offered three "Wraparound Facilitator Training Sessions"—in Richmond, Kelowna and Prince George—to promote the development of collaborative teams and comprehensive plans/interventions among social service providers/agencies in support of children with emotional and behavioral difficulties. This training involved an initial two-day workshop and a follow-up day of training two months later. Participants from school districts and the Ministry for Children and Family Development totaled 173.

Recommendation #2 (page 42)

Fully Implemented

The Ministry of Education, along with the Ministry of Attorney General, should develop ways of giving priority to improve the database and web-site of the BC Safe School Centre.

An improved website was introduced during the 2000/01 school year. The site, found at its original address, www.safeschools.gov.bc.ca, now offers a dynamic home page and supporting pages. The improvements include:

- a search engine allowing site visitors to find Centre resources by key word, title, or category;
- information about the Centre and how to borrow resources from it;
- a scrolling bulletin board displaying upcoming safe school events, professional development and training opportunities, and news;
- a list of each school district's Safe School contact;
- general information about bullying, including frequently asked questions, myth clarification, and key contacts; and
- links to supporting websites and contact information for relevant organizations.

The new site has been promoted on several radio and television programs, and in education publications such as *BC Education News*, Teacher magazine, and *Adminfo*, the journal of British Columbia Principals' and Vice-Principals' Association.

Safe School Centre Utilization Data:

Phone Calls	March - May 2000	January - June 2001	January - May 2002
Parents	158	374	191
Schools	247	918	395
Police	13	87	99
Government	93	292	152
Media	21	51	58
Students	12	106	47
Community	95	287	112
Trainers	32	74	32
Miscellaneous	27	105	209
TOTALS	698	2294	1,295
Total # of Phone Calls since Centre opened, Oct 1998		8,586	12,009

Phone Calls	March - May 2001	March - May 2002
Walk-In/Visitors to the Centre	281	127

Phone Calls	March - May 2000	March - May 2001	March - May 2002
Resources Loaned	293	635	474

Recommendation #6 (page 53):

Partially implemented

The Ministry of Education should re-organize the grade collection for the Career and Personal Planning curriculum to assist secondary teachers in ranking the usefulness of listed resources, and notify teachers when it is available.

The original Grade Collection for Career and Personal Planning (CAPP) 8 to 12 was a 1997 pilot activity for narrowing the choice of resources to those with the most significant fit to the learning outcomes. Subsequent grade collections, including Personal Planning K to 7, have a different format, making the information more accessible to teachers. The Grade Collection for CAPP was recently converted to this new format. During this conversion, dated resources were deleted from the Collection, and newly recommended resources included. This information is posted on the curriculum web site, www.bced.gov.bc.ca//irp/capp/apbtoc.htm, replacing the earlier version of the Grade Collection. While the information is organized to demonstrate best curriculum fit, the ranking of these resources is not an appropriate role for the Ministry, as educators who are working in school communities more appropriately make specific resource decisions.

Recommendation #7 (page 55):

Partially implemented

The Ministry of Education should call for meetings with the province's universities and the College of Teachers to emphasize the need for mandatory pre-service courses for teachers on classroom strategies for dealing with difficult behaviours and for delivering Personal Planning and Career and Personal Planning curriculum.

This recommendation is congruent with recommendations *contained in the Review of Special Education in British Columbia,* June 2000. Discussions took place with British Columbia's Deans of Education in the 2000/01 school year. The Universities have provided the Ministry with reports of how each institution addresses these issues through curriculum offerings and course selection requirements. Next steps will be determined.

A meeting with the College of Teachers has not yet been scheduled.

It is interesting to note that most of the western provinces have recently completed reviews of special education services in their respective jurisdictions, and all have cited the need to address pre-service training for educators in a wide range of special education topics, including behaviour management. This information has been shared with BC's Deans of Education.

Recommendation #8 (page 60):

Substantially implemented

The Ministry of Education should identify or develop suitable resources for teachers and students to recognize and report student depression and suicidal gestures.

The Career and Personal Planning (CAPP) curriculum addresses issues related to depression and suicide.

In the fall of 2000, the Ministry of Education offered intensive training in suicide awareness and intervention to a representative of each school board. First Nations and independent schools representatives were also invited to participate. School boards typically nominated school counsellors to receive this training. This group of educators was provided with both training and materials, and they now serve as "school district contacts" on suicide issues in their school communities.

In January 2001, the Ministry issued to school boards, independent and First Nations schools, an eight-page pamphlet entitled, *Suicide, What You Need to Know: A Guide for School Personnel,* developed in partnership with the BC Council for the Family. This pamphlet provides educators with easy to use information about how to recognize, refer, and support students at risk for suicide. It also proposes a straightforward model for establishing a coordinated, local intervention protocol between education, health, and social service providers in support of these students and their families.

In March 2001, *Teaching Students with Mental Health Disorders: Resources for Teachers.* Volume 2 – Depression was completed. It was been distributed to all schools in BC and has been posted on the Ministry's website: www.bced.gov.bc.ca/specialed/docs/depression_resource.pdf

It provides information on how to recognize, refer, and support students who are experiencing depression.

In June 2001, a Resource Selection and Evaluation Committee met at the Safe School Centre to review and evaluate over one hundred and sixty new acquisitions (videos and kits) against established criteria to ensure they are appropriate for inclusion in the Safe School Centre resource collection. Over twenty-five partner organizations have been invited to be part of the resource acquisition committee. In 2000/01, an emphasis was placed on identifying resources that address aboriginal considerations, youth suicide, and substance abuse.

Recommendation #9, (page 62):

Substantially implemented

The Ministry of Education should provide teachers with suitable guidance for encouraging tolerance and respect for students of same sex orientation.

Homophobia is defined as the irrational fear or hatred of, aversion to, and discrimination against homosexuals, perceived homosexuals, or homosexual behaviour. Discrimination of this sort targets not just homosexual youth, but also bi-sexual and transgender youth and other students who are so perceived.

In the fall of 2000, every school district Professional Development representative received *Challenging Homophobia in Schools,* (www.galebc.org) a resource guide that includes background information, resources, and lesson plans to support efforts to reduce levels of harassment and discrimination based on sexual orientation. This resource was developed by the Gay and Lesbian Educators organization (GALE). The Ministry of Education provided funding to assist the BC Teachers' Federation with the distribution of the resource to secondary schools.

Currently, several provincial curricula mandated for all students in BC include prescribed learning outcomes that address issues of diversity, the development of skills associated with active and responsible citizenship, and the prevention of discrimination, harassment, and violence. In 2000/01 the Ministry revised its guidelines for evaluating learning resources to include a section regarding "portrayal of sexual orientation" (see *Evaluating, Selecting, and Managing Learning Resources—a Guide,* Section 38, page 41) to identify resources more specifically focused on issues related to sexual orientation.

Focus on Harassment and Intimidation: Responding to Bullying in Secondary School Communities, a Ministry of Education resource, was distributed to all secondary schools in BC in the fall of 2001. Homophobia and its relationship to harassment and intimidation are specifically addressed in this resource, with guidance provided for schools seeking strategies to reduce homophobia.

BC Performance Standards for Social Responsibility (2000) (www.bced.gov.bc.ca/classroom_assessment/perf_stands/) provide teachers, students and families with a common set of expectations for student development in:

a) Contributing to the Classroom and School Community

b) Solving Problems in Peaceful Ways

c) Valuing Diversity and Defending Human Rights

- K to Grade 3 — *The student is increasingly interested in fairness; treats others fairly and respectfully*
- Grades 4 to 5 – *The student treats others fairly and respectfully; often shows interest in correcting injustice*
- Grades 6 to 8 – The student treats everyone fairly and respectfully; tries to be unbiased; shows some support for human rights;
- Grades 8 to 10 – *The student is respectful and fair; increasingly willing to speak up or take action to support diversity and defend human rights.*

d) Exercising Democratic Rights and Responsibilities.

Diversity in BC Schools A Framework: 2001, has been distributed to all school boards to:

a) assist them in meeting their obligations under the Constitution Act, the Canadian Charter of Rights and Freedoms, the BC Human Rights Code, the Multiculturalism Act, the Official Languages Act, the Employment Equity Act and the School Act;

b) assist the school system in creating and maintaining learning and working environments that are responsive to the diverse social and cultural needs of communities.

It is available for viewing, on-line at:
www.bced.gov.bc.ca/diversity/diversity_framework.pdf

Recommendation #10, (page 63):

Partially implemented

The Ministry of Education should assess the extent to which teachers would benefit from training in identifying students' special needs and in adapting teaching strategies to meet those needs. The initial focus should be on elementary teachers, to increase the chances that students will start off with the help they need to develop a positive relationship with their teachers and peers.

Responsibility for staff development rests with school boards. In the 2001/02 school year, the Ministry supported boards in this regard by offering a Tuition Rebate Program ($250,000) that covered the tuition fees paid by teachers who enrolled in university courses that addressed a number of priority topics, including special education. The funds, available on a first-come-first-served basis, were fully expended in that fiscal year. Sixty-one teachers enrolled in a special education or behaviour course and received a tuition rebate; one school district applied for and received a grant to support training that addressed special education/behaviour.

In the 2000/01 school year, government introduced the Provincial Education Initiative (PEI), providing, through the 'block allocation' to school boards, $7.1 M to support boards in addressing staff development. School boards were encouraged to address early school success, special education, aboriginal education and safety issues.

As a result of its 'core review', the Ministry of Education will no longer be playing a direct role in directing local staff development activities—that responsibility falls to school boards. In keeping with the new funding system, announced in March 2002, the $7.1 M. previously identified by the Ministry for staff development activities in school districts will be allocated to school boards as part of the per pupil allocation they will receive in the coming school year. School boards will determine how those funds will be utilized.

Recommendation #11, (page 66):

Fully implemented

The Ministry of Education should resolve with senior representatives of the Ministries of Attorney General and Children and Families coordination problems in developing and distributing safe learning policy guidelines.

The Ministry of Education has established a protocol with other social service ministries to guide distribution of materials produced by other ministries to the school system. The Auditor General's concerns and the protocol were shared with members of the Ministry of Education/ Ministry for Children and Families Joint Policy Committee and with the then Ministry of Attorney General. The Auditor General's observations and recommendation in this regard will continue to be shared with other partner ministries and organizations to enhance their awareness of the school system's concern. Ministry staff will ensure that details of this protocol are conveyed to staff in the newly configured ministries.

Recommendation #15, (page 74):

No Action taken

The Ministry of Education should work with school districts to develop specific guidelines for administrators on how to give feedback to teachers in a constructive way, and on how to manage the grievance process.

The authority for establishing procedures of this kind rests with school boards. The Ministry will continue to identify opportunities to ensure that school boards remain aware of the Auditor General's recommendation.

The Ministry has ensured that both the BC School Superintendents Association and the BC Principals' and Vice-Principals' Association are aware of this recommendation. Though membership in these organizations is voluntary, these associations do provide information and training in response to needs identified by their members.

Recommendation #18, (page 85):

Partially implemented

The Ministry of Education should consider examining schools and districts where student performance is significantly below provincial averages, so that underlying reasons can be identified and possibly addressed.

Recent legislation (The School Amendment Act 2002, which is discussed on-line at www.bced.gov.bc.ca) requires that all school boards prepare annual Accountability Contracts and all schools establish School Planning Councils for the purposes of preparing annual School Plans. The intent of these tools is to promote a performance-oriented education system and enhance student achievement. To support school boards and schools in preparing these materials, the Ministry of Education will be providing information to them about student performance. Information will include:

a) Results of the Foundation Skills Assessment (FSA), administered to all students in grades 4, 7, and 10, which examines student performance in reading comprehension, writing and numeracy;

b) School completion rates (percentage of students who start Grade 8 and graduate from Grade 12 within 6 years;

c) Grade 8 to 9 transition rates;

d) Percentage of students with 'C' or better in Grade 12 courses;

e) Percentage of Grade 12 students receiving scholarships;

f) Results of annual satisfaction surveys.

Recommendation #19 (page 90):

Partially implemented

The Ministry of Education should develop a database for monitoring student aggression and encourage input from, and use by, schools and districts so that province-wide efforts can be properly evaluated and, if need be, modified.

The Ministry has not, at this time, undertaken work to develop a database.

The Ministry has introduced, in the current school year, the practice of conducting annual satisfaction surveys, which are designed to monitor student, parent and teacher satisfaction in key areas, including school safety. Results of the survey are profiled as provincial, school district and individual school reports, each of which can be viewed on-line at: www.bced.gov.bc.ca/sat_survey/.

B. Ministry Support for Recommendations Addressed to School Boards

The Auditor General's report addresses recommendations directly to school boards and also indicates to school boards that they should address the recommendations to the Ministry of Education. Recommendations to school boards include:

- **expand efforts to provide Effective Behaviour Support training** (Rec. #1, page 38)

The Effective Behaviour Support (EBS) model promotes the collection and use of data to determine priorities and goals that are appropriate to each school setting, and to determine outcomes of the model's use.

- **find ways to improve the involvement of elementary school-ground supervisors in school initiatives to reduce aggression** (Rec. #3, page 46)

Implementation of this recommendation is the responsibility of school boards.

- **do more to address student aggression at the secondary level, by increasing efforts to monitor and reduce aggression, and encouraging students to report concerns**
  (Rec. #4, page 47)

Also described above, the Ministry issued *Focus on Harassment and Intimidation: Responding to Bullying in Secondary School Communities* in the 2001/02 school year.

Follow up on contributions by outside agencies to reduce aggression by making sure lessons presented are properly integrated with subsequent classroom exercises. Also, the extent to which presentations have been effective in influencing student attitudes and behaviours should be determined, possibly with the help of those who originally made the presentations
(Rec. #5, page 49)

Implementation of this recommendation is the responsibility of school boards.

- **have their own critical incident plans tailored to particular district and school circumstances. These plans should include details of who must do what, when and where in a critical situation. As well, districts should periodically provide training and practice sessions to all school administrators**
  (Rec. #12, page 68)

Schools and school boards are supported in this work by the resource Responding to Critical Incidents: *A Resource Guide for Schools,* developed by the Ministry and issued to all schools in 1998. It can be viewed on-line at:
www.bced.gov.bc.ca/specialed/rci

In addition, the Lower Mainland Consortium of Critical Incident Response Teams provides active support to member school boards in the development and support of critical incident response protocols. One of the key objectives of this group is to continue to grow and include membership from across the province. The Consortium hosted a very successful conference, *Schools, Crisis and the Community: Planning for Effective Responses,* in Vancouver in 1999. Most school districts in the province were represented at this conference. Delegates heard from experts from across North America and were able to share their own experiences in the field.

- **offer more guidance to school administrators on how to improve the learning environment through positive means, and so assist in reducing the use of out-of-school suspensions** (Rec. #13, page 69)

In addition to EBS support, in 1999 the Ministry developed and issued to all schools, *Focus on Suspension: A Resource for Schools.* This resource, which can be viewed on line at www.bced.gov.bc.ca/specialed/docs/suspension_resource.pdf , discusses the use of suspension in the repertoire of discipline strategies available to school boards and describes promising, alternative practices that rely less on exclusion that are being implemented in some BC schools.

- **encourage school staff to clarify and enforce student behaviour expectations that are included in school codes of conduct** (Rec. #14, page 72)

While codes of conduct are within the jurisdiction of school boards and school-based administrators, *Focus on Harassment and Intimidation: Responding to Bullying in Secondary School Communities* contains information and some guidance related to the creation of codes of conduct, school-level policies, and administrative practices that will contribute to a safe and welcoming learning environment.

In 2000, the Ministry distributed the *Social Responsibility Performance Standards,* a detailed set of criteria designed to assist educators to assess social behaviour in relation to standard benchmarks. These standards have subsequently been integrated into school-wide and classroom codes of conduct in many schools. Many of these are schools that are implementing Effective Behaviour Support (EBS), as there is a natural fit between the behaviour criteria in the Standards and the EBS requirement that behaviour expectations be stated clearly and understood by students before they are enforced.

- **encourage students to come forward with concerns about how school staff are interacting with them. This should include better means for reporting and follow-up at the school level as well as the school district level if concerns are not properly addressed** (Rec. #16, page 75)

The Ministry resource *Focus on Intimidation and Harassment: Responding to Bullying in Secondary School Communities* addresses the youth culture "Code of Silence" and provides suggestions for how students, educators, and parents can work together to break this code.

In 2000, the Ministry provided funding support to distribute to each school district the training video *Rock Solid Children Youth and Adults:* Creating a Responsive Environment for the Prevention of Youth Violence every school board. This video and the accompanying implementation guide are designed to encourage adults to respond with support and action when youth come forward with concerns.

- **develop ways to improve case management for "at risk" students, involving school staff and staff from the Ministry for Children and Families.** (Rec. #17, page 78)

Staff from the Ministries of Education, Health Services, Attorney General, and Children and Family Development began work, in 2000/01, on revisions to the *Inter-Ministerial Protocols for Support Services for Students in Public Schools.* Draft materials, developed in concert with education partners, articulate principles and expectations about how ministries and schools/ communities are to work together to support students. Efforts to complete the Protocol revisions have been tabled while government has completed its core review and while new community governance structures are established in partner ministries. It is anticipated that Protocol revision work will resume mid-2002/03.

During 2000/01, the Ministry for Children and Family Development (MCFD) carried out training for regional MCF staff in integrated case management. The training addressed strategies to enhance consultation and appropriate sharing of information between MCFD staff and educators who are working with children at-risk. Such approaches are beginning to be applied by MCFD workers in many regions.

The concept of the "wraparound" service delivery model, which is being promoted as part of the EBS training initiative, emphasizes the importance of collaborative planning among social service providers/agencies and monitoring of supports for students with behaviour difficulties. Two introductory training sessions were conducted with the BC Council for Administrators of Special Education (February 22, 2001) and with the Safe School District Contacts (March 30, 2001). In response to positive feedback, additional training for 173 facilitators was provided by the BC Council of Administrators of Special Education in the 2001/02 school year, in Richmond, Kelowna and Prince George.

Other Key Activities of the Safe School Initiative 2000/01 – 2001/02

The Ministry of Education wishes to advise the Auditor General about some other key activities undertaken in the past two years to support school boards in fostering safe and caring school communities, some of which are not directly referenced in the previous section under the recommendations.

- *The BC Performance Standards for Social Responsibility (2001)* (www.bced.gov.bc.ca/classroom_assessment/perf_stands/) provide a broad framework to assist educators in monitoring and evaluating a variety of school and classroom programs that aim to enhance how students get along and develop responsible behaviours (e.g., anti-bullying, multiculturalism, anti-racism, cooperative learning).

Students at school have a wide range of opportunities to observe, model, discuss, and demonstrate socially responsible behaviour. The standards provide educators, students, and families with a common set of expectations for student development in four areas:

1. Contributing to the Classroom and School Community
2. Solving Problems in Peaceful Ways
3. Valuing Diversity and Defending Human Rights
4. Exercising Democratic Rights and Responsibilities

- The Ministry developed and distributed *Diversity in BC Schools: A Framework* (May, 2001) (www.bced.gov.bc.ca/diversity/diversity_framework.pdf) to all School Board Chairs and Superintendents of Schools. Its purpose is to assist leaders in British Columbia's school system in their ongoing efforts to create and maintain learning and working environments that are responsive to the diverse social and cultural needs of the communities they serve.

The *Framework* describes key diversity concepts, references guiding legislation, and includes important implications for policies, strategies, and initiatives in the school system related to:

- honouring diversity and promoting human rights,
- preventing discrimination, harassment, and violence, and
- responding to incidents of discrimination, harassment, or violence when they occur.

The *Framework* is designed to assist school boards and schools in:

- reviewing existing policies and practices to ensure they are consistent with legislation,
- enhancing existing policies and practices to ensure that they address diversity, and
- developing or implementing new policies and practices to directly address the diverse needs of the people served by the British Columbia school system.

- The Ministry continued to address community concerns about bullying, providing funds in 2001/02 for a third year to support the implementation of *Focus on Bullying. A Prevention Program for Elementary School Communities* in partnership with the British Columbia Teachers' Federation and the British Columbia Principals' and Vice-Principals' Association.

  View *Focus on Bullying* on line at: (www.bced.gov.bc.ca/safeschools/bullying.pdf)

- In 2000/01, the Ministry assisted in the development of a 17-minute video, Standing Together. *A Focus on Bullying Video.* The British Columbia Teachers' Federation initiated and managed this project, which was developed with funds from the National Centre for Crime Prevention—Community Mobilization Program. The video supports the notion that "when everyone in the community works together, bullying behaviours can be curtailed, thus reducing the incidence of bullying in schools and creating a safer learning environment. The video and discussion guide are intended to be used in concert with *Focus on Bullying: A Prevention Program for Elementary Schools.*
- The Ministry partnered with the British Columbia Confederation of Parent Advisory Councils in the development of both *Call it Safe: A Parent Guide for Dealing with Harassment and Intimidation in Secondary Schools* and *Call It Safe: A Parent Guide for Dealing with Bullying in Elementary Schools.* These 20-page resources were distributed to Parent Advisory Councils across the province in the 2000/01 school year.
- Training has continued for the cadre of school district representatives known as Safe School Contacts. Efforts have

focused on supporting Contacts in developing their roles as two-way conduits for information between their respective school districts, the Ministries of Education and Public Safety and the Solicitor General, and the Safe School Centre and in helping them to develop local capacity to address a variety of safe school issues. Regular use of an electronic mail list-serve and meetings with Contacts have also been used for reviewing and discussing the findings and implications of the Auditor General's Report as they affect schools boards.

- In February 2002, BC hosted the third annual National Safe School and Communities Conference in Vancouver. The Conference theme was Putting the Pieces Together, reflecting the views expressed by many who work to address safe school and community issues:
  1) BC has created a wealth of resources and promising practices in these areas, but the challenge of addressing school and community safety in a comprehensive, unified way remains:
  2) This challenge must be met in manner that reflects shared principles and sound research.

  The conference attracted over 600 educators, parents, youth, police, and other community members.

Conclusion

The themes and recommendations contained in *Fostering A Safe Learning Environment: How the British Columbia Public School System is Doing* have helped focus and shape many activities undertaken as part of the Safe Schools Initiative in the past two years. The Report has also raised awareness about safety concerns and has assisted in fostering critical discussion of these concerns among members of our communities. The Auditor General concluded, in June 2000, that *"early indications suggest that [initial] efforts are worthwhile, although more needs to be done to fully implement the initiatives and to properly assess the extent to which various strategies are working."*

As described at the outset of this report, the Safe Schools Initiative was undertaken to:

- to raise awareness of safety concerns;
- to better coordinate community efforts through the Safe School Centre;

- to address systematically existing policy and resource gaps;
- to provide practical support to school boards and schools as they respond to safety concerns; and
- to support schools and communities in broadening and solidifying practices that promote pro-social skill development and reduce violence.

The Ministry for Public Safety and Solicitor General will now assume primary responsibility, on behalf of the Provincial government, for community safety. The Ministry of Education will continue to monitor, through new accountability mechanisms (including School Board Accountability Contracts, School Plans, and Satisfaction Surveys) the results of school board efforts to ensure safety in BC schools.

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Appendix

Timetable of Reports Issued and Public Accounts Committee Meetings on Fostering A Safe Learning Environment: How the British Columbia School System is Doing

June 2000	Office of the Auditor General issues 2000/2001 Report 1: *Fostering a Safe Learning Environment—How the British Columbia Public School System is Doing*. The report included 19 recommendations.
October 2000	The Select Standing Committee on Public Accounts reviews our report.
October 2000	The Select Standing Committee on Public Accounts reports to the Legislative Assembly on its review of the report.
July 2002	Office of the Auditor General issues its first follow-up report on *Fostering a Safe Learning Environment—How the British Columbia Public School System is Doing*.

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Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee on Public Accounts regarding the follow-up of recommendations in

1997/98 Report 1:

Earthquake Preparedness

July 2002

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

We have carried out a follow-up review of the implementation of the recommendations in the Committee's Fourth Report of the 3rd Session of the 36th Parliament: *Earthquake Preparedness in British Columbia*, July 7, 1999, and enclose the following:

- My opinion on the status provided by management.
- A summary of the original report 1997/98 Report 1: *Earthquake Preparedness* issued by our Office and the Committee's subsequent report referred to above showing the audit purpose, scope and overall conclusion.
- Sumary of status of recommendations.
- A summary of the status of implementation by recommendation as at March 31, 2002.
- Management's representations on the progress in implementing the recommendations on earthquake preparedness in British Columbia as at March 31, 2002.
- Update on the progress being made toward improving the earthquake preparedness in the health services system.
- Timetable of Reports Issued and Public Accounts Committee Meetings on 1997/98 Report 1: *Earthquake Preparedness.*

On February 28, 2001, an earthquake of magnitude 6.8 on the Richter Scale occurred with its epicentre in Nisqually, Washington, some 11 kilometres north-east of Olympia. The shockwaves from this earthquake were clearly felt on the Lower Mainland and on Vancouver Island.

That this event occurred so close to our province re-emphasized the potential magnitude of the hazard that British Columbia faces. It also offered an opportunity to learn from the experience of our near neighbours in responding to this challenge as well a chance to evaluate how useful Washington State's seismic mitigation initiatives had proven to be. It therefore provided a suitable opportunity for a further review of progress made by the government of British Columbia and its agencies in implementing the recommendations made by PAC in its report of July 1999.

. . . 2

We did not ask responding ministries and agencies to provide written representations as to what they had learned from the Nisqually earthquake. However, in our meetings with them, we did discuss the matter. Overall, we felt that organizations within the provincial government took appropriate steps to investigate how the event might provide guidance for their future plans. In particular, we would like to advise the committee that the Justice Institute and the Provincial Emergency Program hosted a one-day Nisqually Earthquake seminar in June 2001. There were a number of guest speakers from various aspects of emergency management in the State of Washington who spoke to the effectiveness of the mitigation and preparedness strategies used by the jurisdictions most affected by the earthquake.

We requested ministries and agencies to which we addressed our report recommendations to provide us with the status of implementation of these recommendations as of August 31, 2001. However, between the time of the receipt of the responses and the time of our work to assess the reasonableness of the representations contained in the status report, the government announced its intention to proceed with core reviews of government programs. We decided to defer carrying out some of our review work until the responding agencies were in a position to confirm whether their original representations and planned courses of future action were still feasible within whatever new organizational or funding structures were planned.

Since there are still significant recommendations that have not been implemented, we will carry out a follow-up in about twelve-month's time and report to the committee after completion of our review.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

July 17, 2002

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our follow-up of the recommendations contained in the Committee's Fourth Report of the 3rd Session of the 36th Parliament: *Emergency Preparedness in British Columbia.*

Information as to the August 31, 2001 status of the recommendations was provided to us substantially by the Provincial Emergency Program of the Ministry of Public Safety and Solicitor General and, with respect to a limited number of specific recommendations, by other government ministries with emergency management functions. We reviewed this information in October and November 2001. However, we requested updated responses from some agencies as at March 31, 2002 in recognition of the potential impact of the government's core services review on the responses previously received.

In April 2002, we carried out our review of the representations provided by the organizations described above regarding progress in implementing the recommendations. These representations are contained in the attached documents Summary of Status of Implementation of Recommendations and Progress on Implementing the Recommendations on Earthquake Preparedness in British Columbia. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the Summary of Status of Implementation of Recommendations and Progress on Implementing the Recommendations on Earthquake Preparedness in British Columbia do not present fairly, in all significant respects, the progress made in implementing the recommendations contained in the Committee's report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

July 17, 2002

Summary of Original Report on The Ministry of Attorney General, Provincial Emergency Program: Earthquake Preparedness

Audit Purpose and Scope

The purpose of the audit was twofold: to assess the degree to which governments in British Columbia are prepared for a major earthquake in high hazard areas of the Province; and to determine what actions, if any, are needed to raise the level of preparedness to an adequate standard.

Our audit focused on the critical elements of earthquake preparedness. These are:

- understanding the hazards, risks and vulnerabilities;
- mitigating the potential impacts of a major earthquake;
- planning for response to a major earthquake; and
- planning for recovery from a major earthquake.

Specifically, we were interested in examining how well all of these elements are being handled by the provincial government and local governments (although one important segment of the work examined the relationship between the provincial and federal governments in emergency planning). This included examining the governments' roles in mitigating the potential impacts of a major earthquake through, for example, the appropriate design and enforcement of building codes and the fostering of public awareness. We also studied the extent to which current, tested plans are in place to respond in the immediate aftermath of a major earthquake. As well, we looked at the capability of governments to carry on providing essential services to the public through proper continuation and recovery plans. Our examination focused on the plans and procedures in place during the period April to July 1997.

Finally, although it was not part of the audit, we also carried out a limited review of the "Blizzard of '96" to determine which features of the emergency management system did and did not work well, and to assess the implications of this for earthquake preparedness in the Province.

Overall Conclusion

We concluded that governments in British Columbia are not yet adequately prepared for a major earthquake. However, we were impressed by the amount of earthquake planning that has taken place in recent years. The federal government, agencies such as the Provincial Emergency Program, and emergency planning officials in many local government organizations had been working hard to further the preparedness of the Province for such an event.

The provincial government and local governments were, in a general sense, aware of the hazards, risks and vulnerabilities associated with a major earthquake. However, they would be likely to experience difficulty (albeit to varying degrees) in planning mitigation, response and recovery programs effectively because they had not yet developed specific, comprehensive scenarios for all high hazard, high risk areas of the Province. Through these scenarios, governments would be able to assess the likely impacts of a major earthquake on citizens, critical facilities, lifelines and economies—information that would better focus planning and public awareness programs.

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Continued . . .

Governments also had a general understanding of the importance of mitigation. However, it was unclear whether resources invested by provincial and municipal governments to upgrade infrastructure (such as bridges and dams) were being targeted to the highest priorities because a coordinated approach and a long-term strategy had not been developed. Furthermore, there was no assurance that all critical response facilities (such as fire and ambulance halls, and police stations) would remain operational after an earthquake, or that damage to hazardous buildings would not cause avoidable injury or death. Public apathy about preparing for an earthquake remained high, despite a number of public awareness programs having been implemented.

It would have been unlikely that all key aspects of the government response efforts for a major earthquake would have worked as intended. The Provincial Emergency Program, and most provincial government organizations and local governments, had developed response plans that deal with key response functions, and some testing of those plans had been carried out. However, the provincial response plan, while sound in concept, was still in interim form after five years, and needed updating and finalizing. Some provincial government response functions, such as emergency social services, appeared well prepared; others, such as the medical and heavy urban search and rescue functions, did not.

We believed that local governments were not yet adequately prepared to respond. The quality of local government earthquake planning varied widely. Some jurisdictions had taken the earthquake threat very seriously and were continuing to improve their response plans. Other jurisdictions had given less attention to developing sound plans. Nearly 20% of the local governments who answered our survey reported that there was no earthquake preparedness plan in their jurisdiction.

At all levels, testing of response plans is insufficient, and there are indications that more training is required. The ability of responders to communicate with each other and with different levels of government continues to be a concern, although steps are being taken to improve the situation.

Both the provincial and local governments are not prepared to manage the recovery that will be necessary after a major earthquake. Business continuation planning—critical to effective short-term recovery—is almost non-existent at the provincial level. It is also generally lacking at the local level, although some municipalities are currently developing such plans. Procedures for inspecting and posting unsafe buildings do not exist, and little thought has been given to how the debris resulting from a major earthquake would be dealt with. Also, few governments have plans for expediting the repairs and rebuilding that would be necessary, and none has analyzed the financial options for funding a rebuilding program.

Summary of Status of Recommendations

Earthquake Preparedness in British Columbia

Original Issue Date: November, 1997

Year Followed Up: 2002

Summary of status at March 2002	OAG	PAC	Further Follow-up Required
Total Recommendations	**22***	**25**	**22**
Fully implemented	9	14	0
Partially implemented	10	8	18
Alternative action	2	0	0
No action	1	3	4

**22 of the recommendations made by PAC endorsed 60 recommendations made by the Auditor General in his 1997 report

Partially implemented recommendations

Public Awareness – Recommendation #1:

1.1 Your committee endorses the Auditor General's recommendations that PEP measure the extent of public preparedness and develop a coordinated public awareness communication strategy.

Earthquake Planning Scenarios and Infrastructure Inventories – Recommendation 3

3.2 Your committee recommends that the provincial government work with local governments to ensure that microzonation mapping is completed in high-hazard areas of British Columbia as soon as possible.

Scope and Long-term Goals of British Columbia's Earthquake Preparedness Program – Recommendation 4

4.2 Your committee recommends that the Provincial Emergency Program finalize its B.C. Earthquake Strategy, which is currently still in outline form.

The Provincial Emergency Program – Recommendation 5

5.2 Your committee acknowledges PEP's efforts to provide an annual report to the Deputy Ministers' Emergency Preparedness Committee, and endorses the Auditor General's recommendation that PEP be required to report annually on the state of earthquake preparedness in Canada. Your committee recommends that the annual report by PEP include, but not be limited to, a discussion of the following topics:

- The progress of earthquake planning and preparedness in provincial ministries and Crown corporations;
- Federal-provincial coordination of earthquake planning and preparedness measures;
- The work and progress of Treasury Board (Capital Division) with respect to seismic upgrading of provincial infrastructure.

Encouraging Regional Emergency Planning and Coordination – Recommendation 7

7.1 Your committee endorses the recommendation of the Auditor General regarding strengthening regional emergency planning and coordination, and encourages PEP to continue its efforts in this regard.

Insurance – Recommendation #8:

8.2 Your committee recommends that the provincial government, in consultation with the general insurance industry and other stakeholders, clarify the issues with respect to scope of insurance coverage for damages resulting from earthquakes, and in particular with respect to fire damage following earthquake.

8.3 Your committee recommends that the provincial government require insurers to take appropriate steps to draw to policyholders' attention, on the face of insurance policies, the scope of coverage available with respect to damages resulting from earthquake.

Improving the Seismic Capability of British Columbia's Infrastructure – Recommendation 9

9.1 Your committee endorses the Auditor General's recommendations concerning the application of the seismic elements of the provincial building code, the provincial government's role in advising municipalities regarding the code, the identification of hazardous buildings and the upgrading of critical response facilities. Your committee encourages the provincial government and local governments to ensure that these recommendations are implemented as soon as possible.

Earthquake Response in Supporting Ministries and Schools - Recommendation 12

12.1 Your committee endorses the Auditor General's recommendations concerning earthquake response planning in ministries with key support functions and the development of systems standards for resource management, and encourages the provincial government to ensure that steps are taken to implement these recommendations.

12.3 Your committee notes the steps taken by the Ministry of Health to review and strengthen the ability of the health system to respond to a major earthquake and encourages the ministry to continue its efforts in this regard, and in particular to consider the adequacy of British Columbia's ambulance services capacity.

Emergency Communications and Public Information – Recommendation 14

14.2 Your committee encourages the PEP to complete its upgrading and updating efforts as soon as possible, and to ensure that these plans are updated on a regular basis. Your committee also encourages local governments to implement the Auditor General's recommendations with respect to emergency communications and public information plans.

Interjurisdictional Coordination of Preparedness and Response Planning – Recommendation 15

15.1 Your committee endorses the recommendations of the Auditor General to the PEP and local governments concerning cooperative efforts between the PEP, local governments, other provincial governments, the federal government and the Canadian Forces with respect to earthquake preparedness and response support plans, and encourages the PEP and local governments to implement these recommendations.

15.2 Your committee acknowledges the Provincial Emergency Program's efforts in coordinating the "Thunderbird 4 – Cascadia Response" exercise in March 1999, and recommends that the provincial government encourage more joint earthquake response exercises by the Provincial Emergency Program, Emergency Preparedness Canada and the Canadian Forces, including regular exercises around the National Earthquake Support Plan and its relationship to British Columbia's plans.

Post-Earthquake Damage Assessment, Debris Removal and Reconstruction – Recommendation 17

17.2 Your committee endorses the Auditor General's recommendation that the PEP pursue recommendations contained in the Joint Emergency Liaison Committee's (JELC) interim report with respect to post-earthquake structural assessment, and encourages the PEP to take steps to implement this recommendation.

17.3 Your committee endorses the recommendations made by the Auditor General to the PEP with respect to advising local governments on post-earthquake building inspection, debris removal and reconstruction, and encourages the PEP to implement these recommendations.

Business Continuation Planning – Recommendation 18

18.1 Your committee acknowledges the work done by the Risk Management Branch of the Ministry of Finance and Corporate Relations with respect to business continuation planning and coordination with the PEP, endorses the Auditor General's recommendations to the provincial government in this regard, and encourages the provincial government to ensure that the Auditor General's recommendations are fully implemented.

18.2 Your committee endorses the recommendations made by the Auditor General to the provincial government, the PEP and local governments concerning business continuation planning, encourages implementation of those recommendations, and recommends that the PEP work cooperatively with local governments to develop guidelines for local government business continuation plans.

Funding Earthquake Recovery Costs- Recommendation 19

19.2 Your committee recommends that the provincial government educate British Columbians about the fact that public funds will generally not be available to compensate for losses to private property resulting from earthquake, and that public funds will only be available to restore and replace public infrastructure.

Recommendations for which no action has yet been taken

The Inter-Agency Emergency Preparedness Council – Recommendation #6

6.2 Your committee recommends that the IEPC work with non-government emergency response organizations to achieve better coordination of response efforts.

Natural Gas Hazards – Recommendation 10

10.1 Your committee recommends that the provincial government encourage and promote tie-down programs for gas appliances and mobile homes, and examine the feasibility of mandating tie-downs in the applicable codes.

Earthquake Response in Supporting Ministries and Schools - Recommendation 12

12.4 Your committee recommends that the provincial government encourage local government initiatives, as well as cooperation between industry and governments, with respect to hazardous materials planning.

Post-Earthquake Damage Assessment, Debris Removal and Reconstruction – Recommendation 17

17.4 Your committee endorses the Auditor General's recommendations to local governments with respect to planning for post-earthquake damage assessment, infrastructure inspection, debris removal and reconstruction, and encourages local governments to implement these recommendations.

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Summary of Status of Implementation by Recommendation Earthquake Preparedness in British Columbia

As at March 31, 2002

Recommendations	Implementation Status			
	Fully	Partially	Alternative Action	No Action
WHAT ARE THE HAZARDS, RISKS & VULNERABILITIES ASSOCIATED WITH EARTHQUAKES IN BRITISH COLUMBIA **Public Awareness - Recommendation #1:** 1.1 Your committee endorses the Auditor General's recommendations that PEP measure the extent of public preparedness and develop a coordinated public awareness communication strategy.		✓		
1.2 Your committee recommends that PEP, in developing a coordinated public awareness communication strategy, take advantage of marketing expertise and work closely with local governments, neighbourhood programs and non-profit agencies.	✓			
1.3 Your committee recommends that the provincial government encourage the incorporation of earthquake preparedness issues and emergency first aid certificate programs into school curricula throughout British Columbia.	✓			
Seismic Safety Commission - Recommendation #2: 2.1 Your committee endorses the Auditor General's recommendation regarding establishment of a Seismic Safety Committee in British Columbia, to advise the government with respect to earthquake hazards, mitigation, response and recovery planning, and encourages the provincial government to take steps to establish such a committee.			✓	
Earthquake Planning Scenarios and Infrastructure Inventories - Recommendation 3 3.1 Your committee endorses the recommendations made by the Auditor General with respect to the development of earthquake planning scenarios and	✓			

Recommendations	Implementation Status			
	Fully	Partially	Alternative Action	No Action
inventories of key infrastructure. Your committee notes the preliminary steps taken by PEP and local governments in this regard, and encourages them to ensure that these recommendations are implemented.				
3.2 Your committee recommends that the provincial government work with local governments to ensure that microzonation mapping is completed in high-hazard areas of British Columbia as soon as possible.		✓		
STRENGTHENING THE PROVINCIAL GOVERNMENT'S LEADERSHIP ROLE IN EARTHQUAKE PREPAREDNESS **Scope and Long-term Goals of British Columbia's Earthquake Preparedness Program - Recommendation 4** 4.1 Your committee endorses the Auditor General's recommendations that the provincial government set long-term goals and provide more focus to its earthquake preparedness program, and encourages the provincial government to continue its efforts in this regard.	✓			
4.2 Your committee recommends that the Provincial Emergency Program finalize its B.C. Earthquake Strategy, which is currently still in outline form.		✓		
The Provincial Emergency Program - Recommendation 5 5.1 Your committee endorses the recommendation of the Auditor General regarding repositioning and increasing funding for the Provincial Emergency Program, and encourages the provincial government to consider repositioning PEP within the Premier's Office in order to raise its profile and increase its effectiveness.	✓			
5.2 Your committee acknowledges PEP's efforts to provide an annual report to the Deputy Ministers' Emergency Preparedness Committee, and endorses the Auditor General's recommendation that PEP be required to report annually on the state of		✓		

Recommendations	Implementation Status			
	Fully	Partially	Alternative Action	No Action
earthquake preparedness in Canada. Your committee recommends that the annual report by PEP include, but not be limited to, a discussion of the following topics: ■ The progress of earthquake planning and preparedness in provincial ministries and Crown corporations; ■ Federal-provincial coordination of earthquake planning and preparedness measures; ■ The work and progress of Treasury Board (Capital Division) with respect to seismic upgrading of provincial infrastructure.				
The Inter-Agency Emergency Preparedness Council - Recommendation 6 6.1 Your committee endorses the Auditor General's recommendation that the profile of the Inter-Agency Emergency Preparedness Council be raised, acknowledges development by the IEPC of a "Strategic Activities Plan" to address this recommendation, and encourages the provincial government to continue to take steps to ensure that the Auditor General's recommendation is implemented.	✓			
6.2 Your committee recommends that the IEPC work with non-government emergency response organizations to achieve better coordination of response efforts.				✓
Encouraging Regional Emergency Planning and Coordination - Recommendation 7 7.1 Your committee endorses the recommendation of the Auditor General regarding strengthening regional emergency planning and coordination, and encourages PEP to continue its efforts in this regard.		✓		

Recommendations	Implementation Status			
	Fully	Partially	Alternative Action	No Action
HOW CAN WE MITIGATE THE POTENTIAL IMPACTS OF A MAJOR EARTHQUAKE **Insurance - Recommendation 8** 8.1 Your committee recommends that the provincial government, in consultation with the general insurance industry and other stakeholders, determine the type of regime that would best ensure affordable earthquake insurance continues to be available to compensate British Columbia policyholders who suffer earthquake-related loss to their property and/or its contents, and encourage the adoption by those policyholders.	✓			
8.2 Your committee recommends that the provincial government, in consultation with the general insurance industry and other stakeholders, clarify the issues with respect to scope of insurance coverage for damages resulting from earthquakes, and in particular with respect to fire damage following earthquake.		✓		
8.3 Your committee recommends that the provincial government require insurers to take appropriate steps to draw to policyholders' attention, on the face of insurance policies, the scope of coverage available with respect to damages resulting from earthquake.		✓		
Improving the Seismic Capability of British Columbia's Infrastructure - Recommendation 9 9.1 Your committee endorses the Auditor General's recommendations concerning the application of the seismic elements of the provincial building code, the provincial government's role in advising municipalities regarding the code, the identification of hazardous buildings and the upgrading of critical response facilities. Your committee encourages the provincial government and local governments to ensure that these recommendations are implemented as soon as possible.		✓ (part)		✓ (part)

Recommendations	Implementation Status			
	Fully	Partially	Alternative Action	No Action
9.2 Your committee recognizes the work of Treasury Board (Capital Division) in evaluating, costing and prioritizing seismic upgrading of British Columbia's infra-structure. Your committee encourages the provincial government to make the seismic upgrading of provincial infrastructure a priority in British Columbia and, in doing so, to recognize its moral and legal responsibility for the safety of the province's school children.	✓			
9.3 Your committee recommends that seismic upgrading projects in schools include a consideration of non-structural damage mitigation measures, such as seismic restraint systems.	✓			
9.4 Your committee recommends that the provincial government ensure that all buildings that are designated as emergency centres meet current seismic standards.	✓			
Natural Gas Hazards - Recommendation 10 10.1 Your committee recommends that the provincial government encourage and promote tie-down programs for gas appliances and mobile homes, and examine the feasibility of mandating tie-downs in the applicable codes.				✓
10.2 Your committee recommends that the provincial government encourage and promote public education with respect to earthquake-related natural gas hazards.	✓			
British Columbia Earthquake Response Plan - Recommendation 11 11.1 Your committee endorses the recommendations of the Auditor General regarding updating of the British Columbia Earthquake Plan and related regulations, development of a new communication strategy with respect to the plan, and the identification of potential sites for Provincial Field Response Centres and an alternative location for the Provincial Emergency Coordination Centre. Your committee encourages PEP to implement these recommendations.	✓			

Recommendations	Implementation Status			
	Fully	Partially	Alternative Action	No Action
Earthquake Response in Supporting Ministries and Schools - Recommendation 12 12.1 Your committee endorses the Auditor General's recommendations concerning earthquake response planning in ministries with key support functions and the development of systems standards for resource management, and encourages the provincial government to ensure that steps are taken to implement these recommendations.		✓		
12.2 Your committee recommends that the provincial government encourage earthquake response planning and testing in all British Columbia schools, and to consider providing funding assistance for emergency supplies in all schools.	✓			
12.3 Your committee notes the steps taken by the Ministry of Health to review and strengthen the ability of the health system to respond to a major earthquake and encourages the ministry to continue its efforts in this regard, and in particular to consider the adequacy of British Columbia's ambulance services capacity.		✓		
12.4 Your committee recommends that the provincial government encourage local government initiatives, as well as cooperation between industry and governments, with respect to hazardous materials planning.				✓
12.5 Your committee recommends that provincial and local governments take steps to ensure adequate consideration is given to women's services in earthquake response planning.	✓			
Neighbourhood Programs - Recommendation 13 13.1 Your committee recommends that the provincial government recognize the important role neighbourhood programs have to play in earthquake preparedness planning and response, and take steps to promote the development of more such programs in British Columbia.	✓			

Recommendations	Implementation Status			
	Fully	Partially	Alternative Action	No Action
Emergency Communications and Public Information - Recommendation 14 14.1 Your committee endorses the recommendations of the Auditor General to the PEP and local governments with respect to updating communications equipment, emergency public information plans and communications plans, and acknowledges the PEP's efforts to upgrade equipment and update its communications and public information plans.	✓			
14.2 Your committee encourages the PEP to complete its upgrading and updating efforts as soon as possible, and to ensure that these plans are updated on a regular basis. Your committee also encourages local governments to implement the Auditor General's recommendations with respect to emergency communications and public information plans.		✓		
Interjurisdictional Coordination of Preparedness and Response Planning - Recommendation 15 15.1 Your committee endorses the recommendations of the Auditor General to the PEP and local governments concerning cooperative efforts between the PEP, local governments, other provincial governments, the federal government and the Canadian Forces with respect to earthquake preparedness and response support plans, and encourages the PEP and local governments to implement these recommendations.		✓		
15.2 Your committee acknowledges the Provincial Emergency Program's efforts in coordinating the "Thunderbird 4 - Cascadia Response" exercise in March 1999, and recommends that the provincial government encourage more joint earthquake response exercises by the Provincial Emergency Program, Emergency Preparedness Canada and the Canadian Forces, including regular exercises around the National Earthquake Support Plan and its relationship to British Columbia's plans.		✓		

Recommendations	Implementation Status			
	Fully	Partially	Alternative Action	No Action
15.3 Your committee endorses the Auditor General's recommendations to local governments and the PEP with respect to local government planning and testing, and encourages implementation of these recommendations.			✓	
15.4 Your committee recommends that future testing of earthquake response plans involve participation by urban search and rescue teams.	✓			
Emergency Planning and Response Training - Recommendation 16 16.1 Your committee endorses the Auditor General's recommendations to the PEP with respect to training for emergency planning and response positions at the provincial and local government levels, acknowledges the efforts undertaken by the Provincial Emergency Program to develop and offer an emergency management training through the Justice Institute, and encourages the PEP to ensure that the Auditor General's recommendations with respect to training be implemented.	✓			
16.2 Your committee recommends that the provincial government review relevant legislation and policies to ensure that there are no legislative, regulatory or other impediments to the provision of adequate emergency training and certification to enable emergency medical assistants to provide effective assistance in the event of a major earthquake.	✓			
PLANNING FOR RECOVERY FROM AN EARTHQUAKE **Post-Earthquake Damage Assessment, Debris Removal and Reconstruction - Recommendation 17** 17.1 Your committee endorses the recommendations of the Auditor General to the PEP concerning development of a damage assessment plan, and communication thereof, and encourages the PEP to implement this recommendation.	✓			

Recommendations	Implementation Status			
	Fully	Partially	Alternative Action	No Action
17.2 Your committee endorses the Auditor General's recommendation that the PEP pursue recommendations contained in the Joint Emergency Liaison Committee's (JELC) interim report with respect to post-earthquake structural assessment, and encourages the PEP to take steps to implement this recommendation.		✓		
17.3 Your committee endorses the recommendations made by the Auditor General to the PEP with respect to advising local governments on post-earthquake building inspection, debris removal and reconstruction, and encourages the PEP to implement these recommendations.		✓		
17.4 Your committee endorses the Auditor General's recommendations to local governments with respect to planning for post-earthquake damage assessment, infrastructure inspection, debris removal and reconstruction, and encourages local governments to implement these recommendations.				✓
Business Continuation Planning - Recommendation 18 18.1 Your committee acknowledges the work done by the Risk Management Branch of the Ministry of Finance and Corporate Relations with respect to business continuation planning and coordination with the PEP, endorses the Auditor General's recommendations to the provincial government in this regard, and encourages the provincial government to ensure that the Auditor General's recommendations are fully implemented.		✓		
18.2 Your committee endorses the recommendations made by the Auditor General to the provincial government, the PEP and local governments concerning business continuation planning, encourages implementation of those recommendations, and recommends that the PEP work cooperatively with local governments to develop guidelines for local government business continuation plans.		✓		

Recommendations	Implementation Status			
	Fully	Partially	Alternative Action	No Action
Funding Earthquake Recovery Costs - Recommendation 19 19.1 Your committee endorses the Auditor General's recommendation to the provincial government with respect to preparing for and mitigating its financial liabilities following a major earthquake, and encourages the provincial government to ensure that this recommendation is implemented.	✓			
19.2 Your committee recommends that the provincial government educate British Columbians about the fact that public funds will generally not be available to compensate for losses to private property resulting from earthquake, and that public funds will only be available to restore and replace public infrastructure.		✓		
Developing Implementation Strategies and Reporting Back on Progress - Recommendation 20 20.1 Your committee recommends that the provincial government, in particular the Provincial Emergency Program, move with dispatch in developing strategies to address the recommendations contained in this report.	✓			
20.2 Your committee recommends that representatives of the Provincial Emergency Program re-attend before the committee no later than December 31, 1999, in order to provide information regarding progress made in implementing the recommendations contained in this report.	✓			

In the section that follows, progress assessments are from the Provincial Emergency Program of the Ministry of Public Safety and Solicitor General, unless otherwise stated.

WHAT ARE THE HAZARDS, RISKS & VULNERABILITIES ASSOCIATED WITH EARTHQUAKES IN BRITISH COLUMBIA

Public Awareness – Recommendation #1:

1.1 Your committee endorses the Auditor General's recommendations that the PEP measure the extent of public preparedness and develop a coordinated public awareness communication strategy.

Status: Partially Implemented An ongoing program requirement.

Comments:

Measurement: PEP worked in partnership with the University of Victoria (in 2001) to conduct a survey of the level of preparedness in the CRD.

Public Communication Strategy: PEP has developed a pro-active strategy which takes advantage of the window of public interest that follows any major disaster.

A public awareness and education campaign is part of the preparation for every potential major disaster, such as interface fires and floods.

1.2 Your committee recommends that the PEP, in developing a coordinated public awareness communication strategy, take advantage of marketing expertise and work closely with local governments, neighbourhood programs and non-profit agencies.

Status: Fully Implemented

Comments:

- PEP has developed a coordinated public awareness strategy
- PEP works closely with all other stakeholders.

1.3 *Your committee recommends that the provincial government encourage the incorporation of earthquake preparedness issues and emergency first aid certificate programs into school curricula throughout British Columbia.*

Status (Ministry of Education)**: Fully Implemented**

Comments: (Ministry of Education):

- Earthquake safety is included as part of the provincial curriculum in Personal Planning K to 7 and Career and Personal Planning 8 to 12. It is included as part of the curriculum organizer called "Safety and Injury Protection."
- Safety and Injury Prevention addresses a broad range of issues related to the personal safety of students. Specific reference is made to Earthquakes in Grade 4 and First Aid and Earthquakes in Grade 9.
- WCB – Occupational First Aid Level II and Level III are recognized for credit toward graduation as external courses.

Seismic Safety Commission – Recommendation #2:

2.1 *Your committee endorses the Auditor General's recommendation regarding establishment of a Seismic Safety Committee in British Columbia, to advise the government with respect to earthquake hazards, mitigation, response and recovery planning, and encourages the provincial government to take steps to establish such a committee.*

Status: Alternative Implementation

Comments:

- The government core review and fiscal realities have limited the level of resources available for funding a committee of subject matter experts.
- One new earthquake analyst position has been staffed.
- PEP believes that the objectives identified for a Seismic Safety Committee can be achieved in a more cost-effective way by engaging in ad hoc consultations and research.

Earthquake Planning Scenarios and Infrastructure Inventories – Recommendation #3:

3.1 *Your committee endorses the recommendations made by the Auditor General with respect to the development of earthquake planning scenarios and inventories of key infrastructure. Your committee notes the preliminary steps taken by the PEP and local governments in this regard, and encourages them to ensure that these recommendations are implemented.*

Status: Fully implemented. Ongoing program requirement.

Comments:

Planning Scenario: PEP is currently sponsoring, with the BC Emergency Preparedness for Industry and Commerce Council, the Canadian portion of a subduction earthquake hazard analysis of transportation and utilities infrastructure in the US Pacific Northwest and Southwest BC. This is an initiative of the Cascadia Region Earthquake Workgroup (CREW), a consortium of private sector and government agencies in which PEP participates.

Inventory of Key Infrastructure: The conduct of a survey to determine the seismic retrofit requirements of the provincial government is beyond the authority and scope of PEP. PEP will however continue to encourage other ministries and agencies to act in this regard.

Status (Ministry of Energy and Mines)**: Partially Implemented**

Comments (Ministry of Energy Mines):

- The Ministry of Energy and Mines (MEM) has provided completed earthquake hazard maps for the Upper Fraser Valley Regional District and the Capital Regional District to emergency planners.
- The Department of Civil Engineering at UBC, with insurance industry funding, completed a building inventory for the City of Victoria and is using the MEM Hazard maps to develop building damage scenarios.
- Other than the UBC project, which is being done at a research level with graduate student theses, there is no systematic program to inventory key infrastructure in the province.

3.2 *Your committee recommends that the provincial government work with local governments to ensure that microzonation mapping is completed in high-hazard areas of British Columbia as soon as possible.*

Status (Ministry of Energy and Mines)**: Partially Implemented**

Comments (Ministry of Energy Mines):

- In May of 2000, MEM released microzonation maps for the CRD including liquefaction, landslide, amplification and generalized (composite) earthquake hazard maps. The maps are on the MEM website and hardcopies continue to be a top seller. Resources are inadequate to meet the on-going demand for paper copies.
- MEM received funding in 2001 from the City of Richmond and the Canada Office of Critical Infrastructure Protection and Emergency Preparedness to completer a microzonation map in Richmond by 2003. MEM will provide technical expertise (Senior Geologist ~ 2 FTE months) to manage the program.
- A request and funding from the CRD to complete the microzonation map of the CRD area this year was turned down by the Ministry due to competing priorities and lack of MEM resources to deliver the project.
- Microzonation mapping is not included in the MEM 2001/02 business plan. To be able to deliver an effective microzonation mapping program, the Ministry would require a budget and FTE lift of $250,000 per year and 1 FTE for the next 8-10 years. This fact was also pointed out in last year's report.

STRENGTHENING THE PROVINCIAL GOVERNMENT'S LEADERSHIP ROLE IN EARTHQUAKE PREPAREDNESS

Scope and Long-term Goals of British Columbia's Earthquake Preparedness Program – Recommendation #4:

4.1 *Your committee endorses the Auditor General's recommendations that the provincial government set long-term goals and provide more focus to its earthquake preparedness program, and encourages the provincial government to continue its efforts in this regard.*

Status: Fully Implemented.

Comments

- PEP has developed strategic objectives which will improve the overall level of preparedness.
- PEP has developed work action plans that allow for multi-year planning.

4.2 *Your committee recommends that the Provincial Emergency Program finalize its B.C. Earthquake Strategy, which is currently still in outline form.*

Status: Partially Implemented.

Comments:

- A BC Earthquake Preparedness Strategy is being completed, reflecting current capabilities of PEP to coordinate specific actions.
- All PEP plans and strategic documents are available from the PEP Website.

The Provincial Emergency Program– Recommendation #5:

5.1 *Your committee endorses the recommendation of the Auditor General regarding repositioning and increasing funding for the Provincial Emergency Program, and encourages the provincial government to consider repositioning the PEP within the Premier's Office in order to raise its profile and increase its effectiveness.*

Status: Fully implemented.

Comments:

- The government believes that PEP is correctly positioned with the Ministry of Public Safety and Solicitor General.

5.2 *Your committee acknowledges the PEP's efforts to provide an annual report to the Deputy Ministers Emergency Preparedness Committee, and endorses the Auditor General's recommendation that the PEP be required to report annually on the state of earthquake preparedness in Canada. Your committee recommends that the annual report by the PEP include, but not be limited to, a discussion of the following topics:*

- *The progress of earthquake planning and preparedness in provincial ministries and Crown corporations;*
- *Federal-provincial coordination of earthquake planning and preparedness measures;*
- *The work and progress of Treasury Board (Capital Division) with respect to seismic upgrading of provincial infrastructure.*

Status: Partially implemented. On going program requirement

Comments:

- The Deputy Ministers' Committee on Emergency Preparedness no longer exists.
- PEP has prepared an Emergency Preparedness Report dated June 2001, which details the current level of provincial preparedness.
- PEP will continue to report on the level of earthquake preparedness as part of its annual general preparedness report. Capital Division, Seismic Mitigation Branch will be offered an opportunity to report.

- The Ministry of Finance (Risk Management Branch) will be offered an opportunity to report.
- PSERC will be offered the opportunity to include an assessment of the level of workplace preparedness within the provincial government.
- A requirement to report on the state of earthquake preparedness in Canada is beyond the authority and scope of PEP. However, PEP participates in many international and national committees dedicated to preparedness, response and recovery.

The Inter-Agency Emergency Preparedness Council – Recommendation #6:

6.1 *Your committee endorses the Auditor General's recommendation that the profile of the Inter-Agency Emergency Preparedness Council be raised, acknowledges development by the IEPC of a "Strategic Activities Plan" to address this recommendation, and encourages the provincial government to continue to take steps to ensure that the Auditor General's recommendation is implemented.*

Status: Fully implemented.

Comments:

- The IEPC continues to meet and share information respecting emergency preparedness within government.

6.2 *Your committee recommends that the IEPC work with non-government emergency response organizations to achieve better coordination of response efforts.*

Status: Not implemented

Comments:

- Inclusion of non-government agencies directly in the IEPC would be detrimental to the effective operation of the IEPC. Other "working relationships" exist under the leadership of functional response agencies (ministries and local authorities).
- There are numerous other venues where government and non-government emergency response agencies work together. Non-government agencies have been included in the BCERMS/TEAMS training process.

Encouraging Regional Emergency Planning and Coordination – Recommendation #7:

7.1 *Your committee endorses the recommendation of the Auditor General regarding strengthening regional emergency planning and coordination, and encourages the PEP to continue its efforts in this regard.*

Status: Partially implemented. A long-term initiative.

Comments:

- PEP continues to actively encourage regional governments to voluntarily assume responsibility for emergency preparedness, response and recovery. 17 of 29 regions have voluntarily assumed this responsibility.
- As part of a larger review of the Act and Regulations, PEP will once again propose that legislation make it mandatory for regional districts to assume responsibility for emergency planning.
- It must be remembered that this action is seen as downloading by the province and is strongly resisted by some regional districts.

HOW CAN WE MITIGATE THE POTENTIAL IMPACTS OF A MAJOR EARTHQUAKE?

Insurance – Recommendation #8:

8.1 *Your committee recommends that the provincial government, in consultation with the general insurance industry and other stakeholders, determine the type of regime that would best ensure affordable earthquake insurance continues to be available to compensate British Columbian policyholders who suffer earthquake-related loss to their property and/or its contents, and encourage the adoption by those policyholders of cost-effective risk mitigation measures.*

Status: Insurance availability (Ministry of Finance)
– Fully implemented.

Comments (Ministry of Finance):

- Following completion of a household survey on insurance take-up and public attitudes and further consultation with the insurance industry, the Ministry of Finance is of the view that the current market provides sufficiently affordable and available earthquake insurance for British Columbians – particularly in the high risk areas of the Lower Mainland and Vancouver Island. It would be difficult to justify public sector insurance, as they have, for example, in New Zealand. British Columbia compares very favourably to other jurisdictions in terms of the number of homeowners insured and earthquake insurance costs, as noted in a recent paper:

> "By international standards, the demand for earthquake insurance is strong in Vancouver and Victoria…. A study last fall by the British Columbia government found that 96% of homeowners have fire insurance and 63% purchase earthquake cover. The Insurance Bureau of Canada estimates that 80% of business in the area purchase insurance coverage that includes earthquake insurance. Nearby Seattle residents are vulnerable to similar seismic risks but only 12% of homeowners purchase earthquake insurance." (P. Kovacs and H. Kunreuther, "Managing Catastrophic Risk: Lessons from Canada, paper presented to the ICLR/ICB Earthquake Conference, March 23, 2001, Simon Fraser University, page 20).

Status: Cost-effective Mitigation - Partially implemented - ongoing program requirement

- Best practices information such as the project Impact initiative in Seattle and home retrofit programs in California have been catalogued.
- PEP is monitoring conduct of research on wood frame construction to determine survivability and identify mitigation options.
- PEP is actively working with the federal government and other provinces/territories in the development of a National Disaster Mitigation Strategy which will include earthquake mitigation.

8.2 Your committee recommends that the provincial government, in consultation with the general insurance industry and other stakeholders, clarify the issues with respect to scope of insurance coverage for damages resulting from earthquakes, and in particular with respect to fire damage following earthquake.

Status (Ministry of Finance): **Partially implemented, ongoing**

Comments (Ministry of Finance):

- The Ministry of Finance will release a consultation document on amendments to the Insurance Act recommended by the insurance industry. Although there is comparatively high take up of insurance compared with other jurisdictions, there remains a significant portion of British Columbian homeowners and renters who do not have insurance for earthquake shake damage. When a major earthquake hits, they will be left uninsured for quake damage and the financial burden on them and potentially on governments will be large.
- To address this problem, the insurance industry proposes a legislative amendment to make it clear that fire following earthquake peril could safely be excluded from the standard policy. The severance of fire following earthquake peril is arguably already possible. The Insurance Act does not prohibit its exclusion from the standard policy. However, the Act empowers a court to determine whether an exclusion is unjust or unreasonable. The insurance industry believes that some insurers would be insolvent if the court made such a determination for a fire following exclusion and, therefore, the provision creates costly uncertainty.

- The insurance industry believes that the change will lead to a better take-up of earthquake insurance and therefore better overall earthquake preparation/recovery. Representatives of credit unions and banks have indicated that they oppose the legislative change because the change could result in substantially less protection for many British Columbians, thereby hindering earthquake recovery. They are also concerned about the negative impact on their mortgage portfolios.
- Given the importance of this change to the insurance industry, another round of consultation was agreed to. The purpose of releasing the consultation document is to give the industry, consumers and others the opportunity to help clarify the implications of the proposals.

8.3 *Your committee recommends that the provincial government require insurers to take appropriate steps to draw to policyholders' attention, on the face of insurance policies, the scope of coverage available with respect to damages resulting from earthquake.*

Status (Ministry of Finance): **Partially implemented – ongoing**

Comments (Ministry of Finance):

- The consultation document referred to in the response to recommendation 8.2 will also seek public comments on draft regulations requiring disclosure of the scope of coverage available respecting earthquake-related damage. As the disclosure regulations would impose a new regulatory requirement on the insurance industry, it will have to be carefully assessed in the light of the government's deregulation agenda. In particular, the availability of alternative less costly/burdensome approaches to address the problem will be considered. Industry and consumer comments on the proposed regulation, its impacts, costs and benefits will help with this assessment.

Improving the Seismic Capability of British Columbia's Infrastructure – Recommendation #9:

9.1 *Your committee endorses the Auditor General's recommendations concerning the application of the seismic elements of the provincial building code, the provincial government's role in advising municipalities regarding the code, the identification of hazardous buildings and the upgrading of critical response facilities. Your committee encourages the provincial government and local governments to ensure that these recommendations are implemented as soon as possible.*

Status: No action. This recommendation is beyond the scope and authority of PEP.

Comments:

- Building codes and standards are the responsibility of the Ministry of Community, Aboriginal and Women's Services. They were formerly the responsibility of Municipal Affairs.
- Implementation and enforcement of building codes is a local government jurisdiction.
- The Seismic Mitigation Branch, Capital Division, Ministry of Finance, is currently undertaking the upgrade of schools and hospitals.
- The Ministry of Transportation is upgrading bridge structures on key transportation routes.

Status (Ministry of Community, Aboriginal and Women's Services): **Partially Implemented**

Comments
(Ministry of Community, Aboriginal and Women's Services):

- The Ministry of Community, Aboriginal and Women's Services is developing a proposal whereby individuals and organizations, including municipalities, may have access to authoritative interpretations of the Provincial Building Code.

9.2 *Your committee recognizes the work of Treasury Board (Capital Division) in evaluating, costing and prioritizing seismic upgrading of British Columbia's infrastructure.*

Your committee encourages the provincial government to make the seismic upgrading of provincial infrastructure a priority in British Columbia and, in doing so, to recognize its moral and legal responsibility for the safety of the province's school children.

Status (Ministry of Finance)**: Fully implemented**

Comments (Ministry of Finance):

- The Seismic Mitigation Program applies to buildings funded or managed by the provincial government. During the four fiscal years 2000-2003, the program will encourage the non-structural upgrading of 1,850,000 square metres of floor space and the structural upgrading of 208,000 square metres.

9.3 *Your committee recommends that seismic upgrading projects in schools include a consideration of non-structural damage mitigation measures, such as seismic restraint systems.*

Status (Ministry of Finance)**: Fully implemented**

Comments (Ministry of Finance):

- Initially, the seismic mitigation program will emphasize non-structural mitigation as the best use of resources. Using this approach, the seismic building hazards can be reduced significantly and quickly over many locations, In co-operation with the Ministries of Education, Health and Advanced Education, as well as BCBC and BC Housing, a list of qualifying structural projects costing approximately $70 million will be assembled and ranked according to priority. Seismic vulnerability, importance and cost are the three criteria used to determine which projects qualify for program funding. Non-structural projects will not be screened as such but rather a formula used to distribute approximately $60 million for non-structural projects in the coastal, high-seismic area of the province.

9.4 *Your committee recommends that the provincial government ensure that all buildings that are designated as emergency centres meet current seismic standards.*

Status (Ministry of Finance)**: Fully Implemented**

Comments (Ministry of Finance):

- Emergency centres include fire halls, police stations, emergency sections of hospitals, communication stations (radio) and ambulance stations. Hospitals and ambulance stations will be included in the seismic mitigation program for buildings funded by the provincial government.

Natural Gas Hazards – Recommendation #10:

10.1 *Your committee recommends that the provincial government encourage and promote tie-down programs for gas appliances and mobile homes, and examine the feasibility of mandating tie-downs in the applicable codes.*

Status: Not implemented.

Comments:

- This is mainly a public sector awareness project that has yet to be properly investigated.
- Many similar seismic initiatives rest with property owners without benefit of entrenching them in codes, which may not be advisable.

10.2 *Your committee recommends that the provincial government encourage and promote public education with respect to earthquake-related natural gas hazards.*

Status: Fully implemented.

Comments:

- This is an awareness project which has already been acted upon by (at least) the major gas utility company and emergency preparedness officials.

HOW DO WE PLAN FOR RESPONSE TO A MAJOR EATHQUAKE

British Columbia Earthquake Response Plan – Recommendation #11:

11.1 Your committee endorses the recommendations of the Auditor General regarding updating of the British Columbia Earthquake Plan and related regulations, development of a new communication strategy with respect to the plan, and the identification of potential sites for Provincial Field Response Centre and an alternative location for the Provincial Emergency Coordination Centre. Your committee encourages the PEP to implement these recommendations.

Status: Fully implemented. Ongoing program initiative.

Comments:

- The Earthquake Response Plan was revised and re-issued in 1999.

Provincial Response Readiness Status

- The readiness status of the province as a whole has dramatically improved over the last year.
- A new BC Emergency Management Structure has been approved and adopted.
- The introduction of BCERMS has been completed and training provided.
- Emergency management software has been purchased and will be implemented by the end of the calendar year.
- The Provincial Emergency Coordination Centre in Victoria and Provincial Regional Emergency Operations Centres, capable of immediate activation, will have been established in all six regions by the end of this calendar year.
- A response pool of 110 provincial staff known as TEAMS has been selected and trained, and is available to manage the provincial response to any future disaster or emergency.
- The province has adopted an integrated multi-ministry response structure which manages a response from the perspective of the government as a whole.
- Refer to recommendation 14.1 for details on a new telecommunication strategy.

Earthquake Response in Supporting Ministries and Schools – Recommendation #12:

12.1 *Your committee endorses the Auditor General's recommendations concerning earthquake response planning in ministries with key support functions and the development of systems standards for resource management, and encourages the provincial government to ensure that steps are taken to implement these recommendations.*

Status: Partially implemented. An ongoing program initiative

Comments:

- PEP continues to encourage ministries with mission critical service responsibility, as identified in the Earthquake Response Plan.
- PEP provides subject matter expertise and support where resources and funding are available.
- PEP has pro-actively worked with other ministries to develop and implement an integrated across-government emergency response to various hazards.

School Support:

- A Student Preparedness Outreach strategic objective has been adopted by PEP.
- This three-phase objective will conduct research and maintain a repository of best practices, and develop a curriculum package for teachers and tool kit material for use by school boards and parent-teacher groups.

12.2 *Your committee recommends that the provincial government encourage earthquake response planning and testing in all British Columbia schools, and to consider providing funding assistance for emergency supplies in all schools.*

Status (Ministry of Education)**: Fully Implemented**

Comments (Ministry of Education):

- Earthquake response planning and testing is the responsibility of individual school boards.
- Funding is allocated by the Ministry of Education to school boards to provide for the delivery and support of educational programs.

12.3 Your committee notes the steps taken by the Ministry of Health to review and strengthen the ability of the health system to respond to a major earthquake, and encourages the ministry to continue its efforts in this regard, and in particular to consider the adequacy of British Columbia's ambulance services capacity.

(Auditor General's comment: The Ministry of Health has provided a comprehensive response covering a wide range of emergency management issues. Rather than paraphrase its contents, the entire response is attached as Appendix A to this report).

12.4 Your committee recommends that the provincial government encourage local government initiatives, as well as cooperation between industry and governments, with respect to hazardous materials planning.

Status: No Action.

Comments:

- Responsibility for dangerous goods and hazardous materials rests with the Ministry of Water, Land and Air Protection (WLAP).
- PEP acts in support of WLAP when requested.

12.5 Your committee recommends that provincial and local governments take steps to ensure adequate consideration is given to women's services in earthquake response planning.

Status: Fully Implemented.

Comments:

- A new multi-ministry plan was completed and distributed in January 2001. The plan is titled, "It Can Happen to your Agency/*Tools for Change: Emergency Management for Women's Services.*"
- A copy of the plan can be obtained from the PEP Website, www.pep.bc.ca.

Neighbourhood Programs – Recommendation #13:

13.1 Your committee recommends that the provincial government recognize the important role neighbourhood programs have to play in earthquake preparedness planning and response, and take steps to promote the development of more such programs in British Columbia.

Status: Fully Implemented. Support for this program is an ongoing program initiative.

Comments:

- Local governments have primary responsibility for the establishment of Neighbourhood Emergency Preparedness Programs (NEPP).
- There is significant interest in these programs at the local government level and new programs are being started on an ongoing basis.
- PEP has supported these programs primarily by funding the development of training materials and generic public education material. The provincial support reduces the cost to local government.
- PEP will continue to provide this type of support in accordance with its available resources.

Emergency Communications and Public Information – Recommendation #14:

14.1 Your committee endorses the recommendations of the Auditor General to the PEP and local governments with respect to updating communications equipment, emergency public information plans and communications plans, and acknowledges the PEP's efforts to upgrade equipment and update its communications and public information plans.

Status: Fully Implemented. An ongoing program requirement.

Comments:

Telecommunications:

- Technological improvements and new equipment has been installed in each of the five new permanent Provincial Regional Emergency Operations Centres.

- A new concept and hierarchy of telecommunications has been adopted with the advent of the BCERMS emergency management system and the introduction of new emergency management software.
- PEP continues to revitalise the Provincial Emergency Radio Communications Volunteer service program. (Formerly Amateur Radio). A 1999 exercise was able to make contact with in excess of 400 amateur radio volunteers.
- PEP recognises the need for the development of a BC Emergency Telecommunications Plan. A conceptual framework was completed in 1998. Other higher priority work action requirements have delayed the completion of this plan.

Emergency Public Information:

- Emergency Public Alert/Warning Systems: PEP has met with the BC Association of Broadcasters and is currently preparing a survey to assess the capability of broadcasters following a wide area disaster.

14.2 Your committee encourages the PEP to complete its upgrading and updating efforts as soon as possible, and to ensure that these plans are updated on a regular basis. Your committee also encourages local governments to implement the Auditor General's recommendations with respect to emergency communications and public information plans.

Status: Partially Implemented. An ongoing program requirement.

Comments:

- PEP is upgrading technology and equipment as funds allow.
- PEP is not currently aware of the status of action in this regard by local governments.

Interjurisdictional Coordination of Preparedness and Response Planning – Recommendation #15:

15.1 Your committee endorses the recommendations of the Auditor General to the PEP and local governments concerning cooperative efforts between the PEP, local governments, other provincial governments, the federal government and the Canadian Forces with respect to earthquake preparedness and response support plans, and encourages the PEP and local governments to implement these recommendations.

Status: Partially Implemented. An ongoing program requirement.

Comments:

- PEP has adopted a pro-active posture and has dramatically increased program visibility with all levels of government and non-government agencies.
- PEP has adopted these strategic objectives in support of local government:
    1. Develop a standardized process for assessing the level of preparedness of a local authority.
    3. Develop a Hazard Risk and Vulnerability Assessment process, which can be applied by local government and supported by PEP.
    3. Improve the provision of Disaster Financial Assistance for local government.
    4. Provide direct support for Tsunami Hazard Preparedness.
    5. Develop a process for Critical Infrastructure rapid damage assessment.
    6. Support the development of integrated post-disaster building inspection.
    7. Provide leadership and subject matter expertise in the development of recovery plans.
    8. Provide leadership and subject matter expertise in the development of workplace preparedness.
- PEP continues to work closely with the Canadian Forces and the Office of Critical Infrastructure Protection and Emergency Preparedness in the development of integrated plans.

15.2 Your committee acknowledges the Provincial Emergency Program's efforts in coordinating the "Thunderbird 4 – Cascadia Response" exercise in March 1999, and recommends that the provincial government encourage more joint earthquake response exercises by the Provincial Emergency Program, Emergency Preparedness Canada and the Canadian Forces, including regular exercises around the National Earthquake Support Plan and its relationship to British Columbia's plans.

Status: Partially Implemented. An ongoing program requirement.

Comments:

- PEP recognises the requirement to validate plans by conducting validation exercises.
- PEP has adopted a pro-active posture and has committed to participating in every possible exercise conducted by both local government and non-government agencies, such as BC Hydro and BC Gas.
- PEP participates in a myriad of validation exercises each year.
- PEP is currently working with Canadian Forces Domestic Operations Detachment staff to develop a major, multi-jurisdictional earthquake and tsunami exercise schedule.
- PEP is currently seeking funding for the conduct of a major multi-jurisdictional exercise every third year.

15.3 Your committee endorses the Auditor General's recommendations to local governments and the PEP with respect to local government planning and testing, and encourages implementation of these recommendations.

Status: Alternative Action.

Comments:

- Jurisdictional responsibilities of local governments put the onus on them to determine if such plan testing is put in place.

- Currently, PEP is working with local governments to provide a review of their plans (a new initiative started in 2000). Assessment of those plans and their capabilities to respond will follow.

15.4 Your committee recommends that future testing of earthquake response plans involve participation by urban search and rescue teams.

Status: Fully Implemented.

Comments:

- Urban Search and Rescue Teams belong to local governments. The local governments participating in earthquake response exercises have always been given the latitude to fully exercise any of their resources as they see fit.

Emergency Planning and Response Training – Recommendation #16:

16.1 Your committee endorses the Auditor General's recommendations to the PEP with respect to training for emergency planning and response positions at the provincial and local government levels, acknowledges the efforts undertaken by the Provincial Emergency Program to develop and offer an emergency management training through the Justice Institute, and encourages the PEP to ensure that the Auditor General's recommendations with respect to training be implemented.

Status: Fully Implemented. This is an ongoing program responsibility.

Comments:

- The province continues to fund the provision of training through the Justice Institute, Emergency Management Division, in the amount of $250,000 per year.
- In addition PEP encourages local governments to fund their own fee for service training.
- PEP provides direction and support for the development of training standards.

16.2 *Your committee recommends that the provincial government review relevant legislation and policies to ensure that there are no legislative, regulatory or other impediments to the provision of adequate emergency training and certification to enable emergency medical assistants to provide effective assistance in the event of a major earthquake.*

Status: Fully Implemented.

Comments:

- Research has confirmed that there is no impediment to utilising trades and/or medical people certified in another jurisdiction, in BC, once a State of Emergency has been declared.

PLANNING FOR RECOVERY FROM AN EARTHQUAKE:

Post-Earthquake Damage Assessment, Debris Removal and Reconstruction – Recommendation #17:

17.1 *Your committee endorses the recommendations of the Auditor General to the PEP concerning development of a damage assessment plan, and communication thereof, and encourages the PEP to implement this recommendation.*

Status: Fully Implemented.

Comments:

- Local government responsibility to conduct damage assessment and debris removal within its jurisdictional area, and the provincial government requirement to provide requested support and coordination, is believed to be fully described in the *Earthquake Response Plan.*

17.2 *Your committee endorses the Auditor General's recommendation that the PEP pursue and recommendations contained in the Joint Emergency Liaison Committee's interim report with respect to post-earthquake structural assessment, and encourages the PEP to take steps to implement this recommendation.*

Status: Partially Implemented.
This is an ongoing multi-year initiative.

Comments:

Rapid Post Disaster Building Inspection:

While primary responsibility rests with local government, PEP continues to support the development of integrated plans for the GVRD and CRD.

1. The purpose of the 1997 JELC "Structural Assessment "plan was to develop a regionally integrated planning strategy.
2. The recommendations required action primarily by local governments within the GVRD and to a lesser extend by various provincial ministries.
3. A number of municipalities have acted upon some of the recommendations.
4. JELC has contracted for a review of the implementation status for this report effective July 2001.
5. PEP has developed a work action plan to help the CRD move towards the development of an integrated planning document and has held a workshop with GVRD emergency planners.

17.3 *Your committee endorses the recommendations made by the Auditor General to the PEP with respect to advising local governments on post-earthquake building inspection, debris removal and reconstruction, and encourages the PEP to implement these recommendations.*

Status: Partially Implemented.
This is an ongoing multi-year initiative.

Comments:

- *Critical Infrastructure Rapid Damage Assessment:* The ability to immediately assess damage to critical infrastructure, such as transportation routes and key facilities is vital for the deployment of resources in support of life and safety. PEP has identified this as a Strategic Objective.
- *Rapid Post Disaster Building Inspection:* While primary responsibility rests with local government, PEP continues to support the development of integrated plans for the GVRD and CRD.

- *Debris Removal:* PEP continues to work with the Joint Emergency Liaison Committee (JELC) to implement the 1997 GVRD integrated debris management plan.
- *Reconstruction Plans:* A Recovery and Reconstruction Strategy dated February 1, 1999 has been distributed.

The development of integrated plans is dependent upon the cooperation and support of local governments and availability of PEP resources.

17.4 Your committee endorses the Auditor General's recommendations to local governments with respect to planning for post-earthquake damage assessment, infrastructure inspection, debris removal and reconstruction, and encourages local governments to implement these recommendations.

Status: No Action. Recommendation directed to local government.

Business Continuation Planning – Recommendation #18:

18.1 Your committee acknowledges the work done by the Risk Management Branch of the Ministry of Finance and Corporate Relations with respect to business continuation planning and coordination with the PEP, endorses the Auditor General's recommendations to the provincial government in this regard, and encourages the provincial government to ensure that the Auditor General's recommendations are fully implemented.

Status (Ministry of Finance)**: Partially Implemented**

Comments (Ministry of Finance):

- Ministries are assigned responsibility for maintaining an Business Continuation Plan (BCP) in accordance with General Management Operating Policy, Chapter 9.
- Ministry BCP coordinators meet quarterly as the Government BCP Advisory Committee to report on the progress of planning across government. Crowns and government agencies participate on the committee.

- Ministries submit semi-annual reports to Risk Management Branch and Government Security Office regarding plan updates and excercises. Accountability for the success of BCP is being achieved through education, training and regular BCP exercises. A comprehensive two-week training course for employees was completed in June 2001.
- The provincial government purchased a BCP on-line software tool in July 2001 to assist all business units throughout government to improve, maintain and manage plans on-line. Full training of all ministries in the use of BCP on-line software will occur by August 31, 2002. This project will enhance standardization of the planning process to improve coordination and reporting across government.
- The Risk Management Branch and Government Security Office is an active member of the Inter-Agency Emergency Preparedness Council (IEPC) and co-chairs the committee with PEP. Joint meetings between the IEPC and the Business Continuation Planning Advisory Committee have resulted in ranking critical government operations to manage recovery priorities in the event of a widespread disaster or emergency. Other initiatives for mitigating risk are also being actively pursued for integration with the emergency preparedness program.

18.2 *Your committee endorses the recommendations made by the Auditor General to the provincial government, the PEP and local governments concerning business continuation planning, encourages implementation of those recommendations, and recommends that the PEP work cooperatively with local governments to develop guidelines for local government business continuation plans.*

Status (Ministry of Finance)**: Partially Implemented**

Comments (Ministry of Finance):

- Providing guidelines to local governments for the development of business and continuation plans is not a direct provincial government responsibility. However, progress is being made on coordinating emergency response and consequence management at all levels of government for improving emergency preparedness measures.

Funding Earthquake Recovery Costs – Recommendation #19:

19.1 Your committee endorses the Auditor General's recommendation to the provincial government with respect to preparing for and mitigating its financial liabilities following a major earthquake, and encourages the provincial government to ensure that this recommendation is implemented.

Status (Ministry of Finance)**: Fully implemented**

Comments (Ministry of Finance):

- In general, the province is satisfied that existing arrangements and agreements regarding mitigation of earthquake risks are adequate.
- In the event of a large scale disaster in British Columbia, the Government of Canada can provide financial assistance through the Disaster Financial Assistance Arrangements to help the province meet the basic costs of response and recovery when such expenditures exceed what the province could reasonably be expected to bear on its own.
- The Compensation and Disaster Financial Assistance Regulation enables the government of British Columbia to compensate citizens for lost or damaged land or personal property acquired by the government under the Emergency Program Act. The regulation defines the circumstances under which such compensation may be paid and the thresholds that apply to such payments.
- There is, however, considerable on-going work in this topic, including the review of cost-sharing arrangements with the federal government to assess their sustainability over time.

19.2 Your committee recommends that the provincial government educate British Columbians about the fact that public funds will generally not be available to compensate for losses to private property resulting from earthquake, and that public funds will only be available to restore and replace public infrastructure.

Status: Partially implemented.
Public education is an ongoing program requirement.

Comments:

- There has been some increase in public awareness over the last year and insurance companies have advertised the availability of earthquake insurance.
- The Ministry of Finance has conducted a survey of BC residents. The survey can be obtained from PEP Web site.

Developing Implementation Strategies and Reporting Back on Progress – Recommendation #20:

20.1 Your committee recommends that the provincial government, in particular the Provincial Emergency Program, move with dispatch in developing strategies to address the recommendations contained in this report.

Status: Fully Implemented

20.2 Your committee recommends that representatives of the Provincial Emergency Program re-attend before the committee no later than December 31, 1999, in order to provide information regarding progress made in implementing the recommendations contained in this report.

Status: Fully implemented.
PAC discussed first follow-up report on May 16, 2000

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BRITISH
COLUMBIA

Appendix A

September 28, 2001

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Wayne Strelioff
Auditor General
8 Bastion Square
Victoria BC V8V 1X4

Dear Wayne Strelioff:

Re: Performance Audit - Earthquake Preparedness

We are pleased to provide an update on the progress being made towards improving the earthquake preparedness of the health services system.

The Ministry of Health has reported progress twice to the Standing Committee on Public Accounts (PAC); in 1999 & 2000. The PAC recommendations encouraged the Ministry of Health to continue its efforts to strengthen the ability of the system to respond to a major earthquake and to consider the adequacy of the capacity of the BC Ambulance Service.

Ministry Progress:

At the outset it is important to note that functions of the former Ministry of Health are now addressed by two new ministries, the Ministry of Health Services and the Ministry of Health Planning. For the purposes of this report they will be referred to as a single entity. The Emergency Preparedness Branch, created in response to the 1997 report by the Auditor General and referenced in our 1999 status report is a corporate service shared by both Ministries. This recent organizational change coupled with government-wide emergency management policy initiatives, provided an opportunity to completely reformulate the emergency planning framework for the new ministries and the health services system. The planning framework that the Ministry has adopted is intended to address concerns about the absence of a system-wide approach for emergency preparation and response.

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In further support of a medium term objective to ensure integrated and comprehensive emergency planning by health authorities, the Ministry is working with a representative group of health authorities to identify and encourage 'best practice' in emergency planning. This initiatives builds on the quality emergency preparedness work undertaken by many organizations within the health services system and includes participation by the BC Ambulance Service, the Canadian Council on Health Services Accreditation and the British Columbia Health Care Risk Management Society. Over the next year, this working group will produce guidelines and templates to bring a degree of standardization to the planning processes and documents being prepared at local levels. The early work of this group, supported by the secondment of a regional health emergency planner to the Ministry, has been to develop a vulnerability assessment tool to demystify the process of risk assessment. This is a simplified tool to encourage a management culture of awareness and preparedness through continuous risk analysis, mitigation planning and plan evaluation. Over the long term, the ministry intends a sustained dialogue with health authority representatives to routinely review and update 'best practices' based on new information, from exercises and management of local emergencies.

During the past 18 months there have been opportunities to practice aspects of the Ministry's emergency management plan and raise staff awareness of emergency management, while dealing with threats of withdrawal of professional health services that impacted entire communities. Recommendations from the post-event evaluation are being implemented, to further improve the ability of the Ministry to coordinate response and recovery following a future emergency or disaster.

On the horizon there is a significant threat to the health of all Canadians, which has motivated an increased focus on emergency planning throughout the health care system. Experts are predicting an influenza pandemic well within the next decade. The potential effects of such an occurrence on the health system will, in some aspects, exceed those of a severe earthquake, as both the breadth of the impact and duration would be considerably greater. Consequently, the Ministry has focussed resources on developing a province wide plan to address this specific threat. This planning process involves Health Canada and the British Columbia Centre for Disease Control as key partners and will involve all health authorities. The Pandemic Influenza Plan will contain many elements in common with an earthquake or other wide area disaster plan. It is anticipated that the plan will be built and tested over the next two years.

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Health Authority Progress:

Progress in earthquake-specific emergency preparedness varies considerably among health authorities, with the greatest progress being achieved among those in the highest risk earthquake zone. Many of these have benefited from having staff dedicated to the emergency preparedness function. The overall state of readiness of health authorities continues to improve through activities ranging from system-wide regional planning to individual emergency preparedness training for staff. Many of the more vulnerable health authorities have had elements of their emergency response and management systems tested recently, either by exercises or recent events.

The non-structural and structural safety and durability of health facilities in these regions has been enhanced by $4.4 million in non-structural seismic mitigation initiatives and a further $2.7 for structural mitigation projects.

The Ministry is generally satisfied with the progress being made in disaster preparedness throughout the health services system, particularly as it is occurring in a climate of escalating management challenges and diminishing resources. It is important to note that ability of hospital and community health services to respond to a large disaster is dependent in part on the system having some 'surge' or surplus capacity. Currently, there is very little, due to labour market factors that are not easily amenable to influence by government in the short term. One of the longer-term goals to support systemic emergency preparedness is to restore services to optimum capacity and improve utilization management in order to improve emergency response capabilities.

British Columbia Ambulance Service Progress:

Since the last progress report in May 2000, the British Columbia Ambulance Service (BCAS) has developed a Multi-Casualty Incident (MCI) Plan to assist paramedic field personnel. The plan incorporates the operational elements of the British Columbia Emergency Response Management System (BCERMS) and is supported by 15 MCI kits that will be located at key sites around the province. The kits enable the rapid organization of triage, treatment and transport teams and will be deployed in special MCI vehicles as these are developed. Although the kits are not, for practical purposes, intended for use in a wide area disaster, the principles and tools of the management system are the same.

Recognizing the importance of personal preparedness for first responder personnel, the BCAS has published a Personal Disaster Preparedness Handbook. This handbook is designed to help paramedics prepare their personal residence and families so that they are better prepared to be available on short notice in an emergency.

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The BCAS emergency command center has been enhanced by the addition of sufficient emergency, food, water and other supplies to sustain the center for one week.

In recognition that the functions of the ambulance service are central to emergency planning at local levels, the BCAS is a key partner in the Health Ministries' best practices initiative with Health Authorities. To assist with this and other Ministry initiatives, BCAS has loaned an operational superintendent to work with the restructured Ministries' Emergency Preparedness Branch.

Planned Projects:

In order to satisfactorily address the requirement in Schedule 2 of the Emergency Program Management Regulation that the Minister of Health "provide standard medical units consisting of emergency hospitals, advanced treatment centers and casualty collection units."

These resources are owned by Canada and managed by agreement by the Province. They consist of 16 emergency hospitals, 40 advanced Treatment Centers and 96 Casualty Collection Units.

It is likely that due to shifts in population and changes in the intended utilization of the stockpile that a reallocation may be necessary. To support a reallocation plan, an agreed casualty estimation process or model needs to be devised. During the next year the Emergency Preparedness Branch will initiate a process to develop a viable approach to casualty estimation.

There is a growing, multi-jurisdictional sensitivity to the threat of chemical, biological, radiological and nuclear terrorism. Despite the low probability of these threats, recent events have underscored the need for some attention to important consequence management issues for the health services system. In the relatively near future, we anticipate a need to ensure that emergency response plans for health services are capable of adaptation to these specific threats.

Conclusion:

Continuing progress in generic, all-hazards emergency planning is being achieved across the health services system. Relative readiness for an earthquake can be inferred directly from the degree of preparedness for a variety of other hazards, which due to higher probability have more immediacy for health service providers. There is a growing commitment to diligence in developing and testing emergency plans, which bodes well in the long term for overall earthquake preparedness.

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The Ministries of Health Services and Health Planning will continue to provide direction, encouragement and leadership to the health services system to ensure continuing progress in earthquake preparedness.

The Emergency Preparedness Branch has prepared for your staff, a binder of material to support this report. They can also provide an electronic copy of this document should you so require. Please contact Bill Douglas, Director of the branch at 952-1700.

Yours truly,

Janet E McGregor
Chief Information Officer
And Assistant Deputy Minister,
Corporate Programs

• THE GOVERNMENT OF BRITISH COLUMBIA IS AN *"EMPLOYMENT EQUITY EMPLOYER"* •

Appendix B

Timetable of Reports Issued and Public Accounts Committee Meetings on Earthquake Preparedness

December 1997	The Auditor General issues the 1997/98 Report 1: Earthquake Preparedness. The report contains nine strategic recommendations and 51 operational recommendations.
October 1998	The Select Standing Committee on Public Accounts (PAC) reviews the report. The afternoon session of this meeting is a public hearing to receive the comments of interested members of the community at large.
	PAC holds further a further public hearing in Richmond.
	PAC discusses its draft report on earthquake preparedness at meetings on March 30, April 13, April 27, May 11, June 1 and June 8, 1999.
July 1999	PAC presents its report to the Legislative Assembly. The report contains twenty recommendation topic areas for which a total of forty-seven recommendations were made. Twenty-two of these recommendations endorses the sixty recommendations contained in the Auditor General's report, and the remaining twenty-five represents recommendations that PAC added to those of the Auditor General.
May 1999	The Auditor General reports on the status of implementation *of the nine strategic recommendations in in 1999/2000 Report 1, Follow-up of Performance of Audits/Studies.* PAC meets to consider this report but does not formally report the results of its review to the Legislative Assembly.
July 1999	Office of the Auditor General issues the second follow-up report to PAC.

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Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee on Public Accounts regarding the follow-up of recommendations in

1999/2000 Report 8:

The Governance of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation; The Management of Social Housing Subsidies

Ministry of Social Housing

July 2002

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

We have carried out a follow-up review of the implementation of the recommendations in our audit report of 1999/2000 Report 8—November 1999: *Social Housing: The Governance of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation; The Management of Social Housing Subsidies* and enclose the following:

- My opinion on the status provided by management.
- A Summary of our original report showing the audit purpose, scope and overall conclusion.
- Progress on implementing the Recommendations.
- A Summary of Status of Recommendations.
- Implementation Status by Recommendation.
- Management's Detailed Status Report on the Recommendations.
- Timetable of Reports Issued and Public Accounts Committee Meetings on 1999/2000 Report 8—November 1999: *Social Housing: The Governance of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation; The Management of Social Housing Subsidies.*

As we believe that all but one of the combined recommendations in the report have been substantially implemented, we do not plan to carry out any further follow-up reviews relating to this report. One recommendation has been evaluated as partially implemented, but as this recommendation pertained to an ongoing function, we believe that for future follow-up purposes it may be regarded as substantially complete.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

July 17, 2002

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our follow-up of our recommendations from our 1999/2000 Report 8—November 1999: *Social Housing: The Governance of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation; The Management of Social Housing Subsidies.*

Information as to the status of the recommendations was provided to us by the British Columbia Housing Management Commission. We reviewed this response in July 2002.

We have reviewed the representations provided by the British Columbia Housing Management Commission regarding progress in implementing the recommendations. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the report of Implementation Status by Recommendation and the Detailed Status Report on the Recommendations do not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our 1999/2000 Report 8—November 1999: *Social Housing: The Governance of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation; The Management of Social Housing Subsidies* report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

July 17, 2002

Summary of Original Report on Social Housing: The Governance of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation

Audit Purpose and Scope

The audit purpose was to assess whether the governance relationships and practices with respect to the British Columbia Housing Management Commission (BC Housing) and the Provincial Rental Housing Corporation (PRHC) were sound. Specifically, we examined:

- how well the roles and responsibilities of those involved in the governance of these two agencies were defined and understood;
- how effectively direction was communicated to the agencies by those involved in their governance; and
- whether the two agencies were being properly accountable for their performance to their stakeholders.

We focused primarily on the relationships and practices in place during March to December, 1998. We also considered the relationships with other stakeholders. For example, BC Housing administers projects that are funded jointly with the federal Canada Mortgage and Housing Corporation (CMHC). As well, it administers group homes for which operations are funded by various British Columbia government ministries, such as the Ministry of Health. These organizations therefore have an interest in the operations of BC Housing. In preparing our report, we discussed our findings and conclusions with BC Housing and with the (then) Ministry of Social Development and Economic Security

Overall Conclusion

The effectiveness of the governance of BC Housing and PRHC was at risk, due to a lack of clarity and definition of the roles and responsibilities of those involved in the governance and to weaknesses of some of the governance practices.

There were three main issues.

First, the roles and responsibilities of key parties to the governance process needed to be more clearly defined and understood. This was particularly so for the respective roles of the chair, board and general manager of BC Housing itself. And in the case of PRHC, the governance structure was inappropriate, in that it gave the board of BC Housing only a limited voice in protecting its interest in PRHC decisions concerning developments that BC Housing manages or subsidizes on behalf of the taxpayers.

. . . continued

Continued . . .

Second, while the government had prepared good written plans setting out its broad objectives for social housing, the board of BC Housing had generally played up to then a limited role in providing the commission with direction for interpreting and implementing these plans. This had made it difficult for the board to play an effective role in overseeing the commission's affairs and monitoring its performance.

Third, while the accountability of PRHC was adequate in the light of its limited operating functions, that of BC Housing required improvement, both in regard to the timeliness of its statutory reporting and the nature and extent of the information it provided about its planned and actual performance. Further, neither BC Housing nor any other government agency was reporting information that would have assisted legislators and others understand the current state of the social housing sector in British Columbia.

These deficiencies in reporting had occurred primarily because the prerequisites to good accountability had not been in place. Roles and responsibilities of those involved in governance needed to be more clearly defined; measurable objectives and performance targets had still to be established, and an adequate performance measurement framework for monitoring results had to be completed. A contributing factor to this situation had been the limited role played by past boards in developing strategic and business plans for the commission, identifying information needs, and finalizing a performance measurement system that was integrated with its strategic plan.

The board and management of both agencies recognized that improvements in governance were needed. The board of BC Housing had created a governance committee that was in the process of identifying board priorities for strengthening the governance arrangements surrounding the agencies.

Management Report on Progress on Implementing the Recommendations on 1999/2000 Report 8—November 1999: Social Housing: The Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

BC Housing

The following is an update on the implementation of the recommendations contained in the above report.

An Audit of the Governance of the British Columbia Management Commission and the Provincial Rental Housing Corporation

The report contained 15 recommendations directed towards the governance of BC Housing and PRHC. Of these recommendations ten have been completed, four are ongoing and one requires alternative action.

At the present time, BC Housing's Board is comprised of a sole member, Interim Chair, Kaye Melliship, Assistant Deputy Minister, Community, Aboriginal and Women's Services. As with all government ministries, crown corporations and agencies, BC Housing is currently undergoing a review of its core services. The outcome of BC Housing's Core Review will confirm the organization's mandate, governance structure and service delivery strategy for the upcoming years. Once completed, it is anticipated that the governance structure of BC Housing and PRHC will be confirmed through the appointment of a Board of Commissioners. The Board, together with senior management will identify the information needs and performance measures required by the new Board, the Minister, government and the public. As well, those governance recommendations such as the confirmation of the roles and responsibilities of the Ministry, BC Housing and PRHC and the proposed reassignment of the responsibility for special needs groups that involves a shelter component may reach conclusion through government's core review process.

Summary of Status of Recommendations

The Governance of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation

Original Issue Date: November 1999

Year Followed Up: 2002

Summary of status at June 2002	OAG	PAC	Further Follow-up Required
Total Recommendations	**15**	**0**	**0**
Fully Implemented	11	0	0
Substantially Implemented	2	0	0
Partially Implemented	1	0	0
Alternative Action	1	0	0

Recommendations and Their Status

Substantially implemented recommendations

Recommendation #7: We recommend that the government identify the governance and operational structure that will enable PRHC's activities to be carried out most cost-efficiently and effectively while recognizing BC Housing's interest in PRHC operations.

Recommendation #13 We recommend that the Minister responsible and the Board of BC Housing decide what information should be reported with respect to the performance of the social housing sector and how best to collect that information. If BC Housing is considered to be the most appropriate agency to collect the information, then reporting expectations should be made clear to it.

Partially implemented recommendations

Recommendation #8: We recommend that BC Housing strongly encourage its Ministry, local government and non-profit partners to consult the commission in assessing the impact of any proposed reassignment of responsibility for special needs groups that involves a shelter component.

Alternative action

Recommendation #1: We recommend that the government take appropriate action to enable the Members of the Legislative Assembly to consider the recommendations in the "Second Report of the Select Standing Committee on Public Accounts" (January,1996) regarding the information and oversight need of the Legislative Assembly.

Auditor General's comment on Recommendation #1

The recommendations in the "Second Report of the Select Standing Committee on Public Accounts" called for:

- the government to provide on a timely basis information about the short- and long-term plans and goals of ministries and Crown corporations and about results achieved;
- the provision of such select standard committees that are deemed appropriate to consider ministry and Crown corporation programs by sector; and
- the short- and long-term plans of the ministries and Crown corporations, once tabled, to be referred to the committees above.

We believe that subsequent government initiatives such as the enactment of the Budget Transparency and Accountability Act have substantially addressed the recommendations made by the Select Standing Committee. We therefore consider that the assessment made by BC Housing is appropriate in terms of its responsibilities, but in a government wide context, we would assess the recommendation made in our report as having been substantially implemented.

Implementation Status by Recommendation

Original Report Title: Social Housing—The Governance of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation

Original Issue Date: November, 1999

Date Followed Up: June, 2002

Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
Roles and Responsibilities 1. We recommend that the government take appropriate action to enable Members of the Legislative Assembly to consider the recommendations in the "Second Report of the Select Standing Committee on Public Accounts" (January 1996) regarding the information and oversight needs of the Legislative Assembly.				✓	
2. We recommend that BC Housing liaise with the Crown Corporation Secretariat to keep up-to-date on the latest governance developments in the Crown corporation sector.	✓				
3. We recommend that the government review and finalize ministry roles and responsibilities as soon as is practicable to ensure that the minister responsible for housing has sufficient and timely support for developing policy. The government should communicate the roles and responsibilities to all affected parties in ministries, BC Housing and PRHC and to those who serve on such supporting groups as the Housing Advisory Council. At the same time, the government should review housing legislation to make it as coherent and current as possible.	✓				
4. We recommend that the board of BC Housing clearly define its role, seek approval for that role from the minister responsible, and then work to remove the impediments that have affected its ability to play an effective role in governance.	✓				

Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
5. We recommend that the minister responsible assess whether the general manager of BC Housing should continue to hold positions in government ministries and in the Provincial Rental Housing Corporation and, if not, remove these positions from the general manager's responsibilities.	✓				
6. We recommend that the board of BC Housing clarify the roles and responsibilities of the chair and the general manager, and that it communicate this clarification to management.	✓				
7. We recommend that the government identify the governance and operational structure that will enable PRHC's activities to be carried out most cost-efficiently and effectively, while recognizing BC Housing's interest in PRHC's operations.		✓			
8. We recommend that BC Housing strongly encourage its ministry, local government and non-profit partners to consult the commission in assessing the impact of any proposed reassignment of responsibility for special needs groups that involves a shelter component			✓		
Direction 9. We recommend that BC Housing expand the content of its strategic plan to identify how progress in pursuing the stated strategies will be measured. We also recommend that BC Housing continue to develop its business plans to give focus to establishing performance expectations and measuring results.	✓				

Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
10. We recommend that the board of BC Housing formally obtain the government's approval for the board's interpretation of the commission's mandate and strategic plan.	✓				
Accountability 11. We recommend that the board of BC Housing ensure that the commission's annual report is presented to the minister responsible within the time limit imposed by legislation.	✓				
12. We recommend that BC Housing improve its public reporting by providing in its annual report information about: ▪ all key aspects of its performance (financial, organizational and program performance, legal compliance and fairness, equity and probity); ▪ measurable objectives and targets (when the commission has completed its process for developing business plans); and ▪ historical performance.	✓				
13. We recommend that the minister responsible and the board of BC Housing decide what information should be reported with respect to the performance of the social housing sector and how best to collect that information. If BC Housing is considered to be the most appropriate agency to collect the information, then reporting expectations should be made clear to it.		✓			

Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
14. We recommend that the board of BC Housing identify its information needs as soon as possible to enable it to monitor the organization's performance effectively.	✓				
15. We recommend that the commission proceed as quickly as is practicable with the finalization and implementation of its performance measurement framework. In this regard, the board of BC Housing should satisfy itself that the framework provides an appropriate basis for the commission to demonstrate its performance in the context of government's overall social housing objectives.	✓				

Detailed Status Report on the Recommendations Contained in the 1999/2000 Report 8 - November 1999: Social Housing: The Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Recommendation	Implementation Status	Assigned to:	Target Date(s):
ROLES AND RESPONSIBILITIES: RECOMMENDATION #1-8			
Recommendation #1: We recommend that the government take appropriate action to enable the Members of the Legislative Assembly to consider the recommendations in the "Second Report of the Select Standing Committee on Public Accounts" (January,1996) regarding the information and oversight need of the Legislative Assembly.	**Implementation Status: Alternative Action** As discussed at the presentation to the Select Standing Committee on Public Accounts in March 2000, we believe that this is a recommendation to that Committee and has broader implications across government.	Government	N/A
Recommendation #2: We recommend that BC Housing liaise with the Crown Corporation Secretariat to keep up-to-date on the latest governance developments in the Crown Corporation sector.	**Implementation Status: Fully Implemented** Continuing contact has been established with the Crown Corporation Secretariat (CCS), now the Crown Agency Secretariat (CAS), and will continue to be a priority. Ongoing contact and information sharing between the Board of Commissioners and CAS staff has enabled the Board to be kept apprised of current governance practices such as the development of multi-year service plan and annual report guidelines.	Board of Commissioners	Implementation: Ongoing
Recommendation #3: We recommend that the government review and finalize ministry roles and responsibilities as soon as is practicable to ensure that the minister responsible for housing has sufficient and timely support for developing policy. The government should communicate the roles and responsibilities to all affected parties in ministries, BC Housing, and PRHC and to those who serve on such supporting groups as the Housing Advisory Council. At the same	**Implementation Status: Fully Implemented** As noted in the presentation from the Office of the Auditor General, at the time of the review, the assignment of housing responsibilities was in a state of transition with two Ministries–the Ministry of Employment and Investment and the Ministry of Municipal Affairs having some responsibility for housing/housing policy. However, since then a number of changes have taken place, which have helped to clarify matters. For example, housing policy and social housing operations have been re-integrated under one Minister	Board of Commissioners, Executive Office, Ministry responsible for housing	Implementation: Ongoing The creation of the new Ministry of Social Development and Economic Security and the integration of housing policy and responsibility for BC Housing under one

Detailed Status Report on the Recommendations Contained in the 1999/2000 Report 8 - November 1999: Social Housing: The Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Recommendation	Implementation Status	Assigned to:	Target Date(s):
time, the government should review housing legislation to make it as coherent and current as possible.	who has responsibility for both the provincial housing policy and for the implementation of provincial housing programs and services. This was an important development, making it much easier to address some of the concerns raised in the Auditor General's report. In the summer of 2000, Kaye Melliship, then A/Executive Director of the Housing Development Division in the Ministry of Social Development and Economic Security, was appointed by Order-in-Council to BC Housing's Board of Commissioners. This built on existing relationships and strengthened communications with the Ministry. This has been further strengthened with Assistant Deputy Minister, Kaye Mellship's, appointment as Interim Chair to ensure continuity between housing policy and the agency that implements that policy. Preliminary work leading up to potential housing legislation has been ongoing for some time. The focus of this work has been on improving the legislative framework for the effective delivery of both housing policy and the provision of housing programs and services. At this time, it seems that the spring legislative session would be the first opportunity for such legislation to be considered. As part of government's Core Services Review, refinements to the current housing legislation will be considered as a means of carrying through on government housing priorities should this be the direction given by the Core Services Review & Deregulation Task Force.		Minister (July 1999 & July 2001). A/Executive Director of the Housing Development Division in the Ministry of Social Development and Economic Security appointed to BC Housing's Board of Commissioners June 7, 2000. BC Housing and the Ministry responsible for housing will work towards housing legislation should the Core Services Review & Deregulation Task Force determine this as a priority.

Detailed Status Report on the Recommendations Contained in the 1999/2000 Report 8 - November 1999: Social Housing: The Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Recommendation	Implementation Status	Assigned to:	Target Date(s):
Recommendation #4: We recommend that the board of BC Housing clearly define its role, seek approval for that role from the minister responsible and then work to remove the impediments that have affected its ability to play an effective role in governance.	**Implementation Status: Fully Implemented** The Board of Commissioners adopted a Board Governance Manual. The Manual has also been formally presented to the Minister responsible for housing. The Manual is the product of a major initiative by the Board's Governance Committee and was undertaken to ensure that the roles and responsibilities as well as the establishment of clear accountabilities are defined for BC Housing. A consultative process was used in the development of this Manual. The process included discussions with senior management, a review of selected parts of the manual by internal and external legal council as well as several discussions on governance best practices with the Crown Corporations Secretariat including their formal review of the document. The advice and suggestions provided the Governance Committee with a solid foundation from which to formulate the governance framework for the Commission. The Manual contains guidelines and terms of reference for the Board and its Committees, the Board Chair, Commissioners and the Chief Executive Officer. The Manual also clearly articulates Board Ethics and a Code of Conduct that includes conflict of interest guidelines. As defined in the Board Governance Manual and supported by the Minister, the Board has taken an active role in ensuring that the strategic directions as outlined in the Commission's Performance Plan/Service Plan are implemented. It is assumed that the Governance Manual may be updated as deemed appropriate by a new Board.	Board of Commissioners, Board Governance Committee	Implementation: Ongoing Governance Manual received final approval by BC Housing's Board of Commissioners at their meeting on June 10, 2000. Governance Manual was formally presented to the Minister responsible for housing on June 22, 2000. It is assumed that a newly appointed Board may review the Manual to ensure that the processes and guidelines are in keeping with the continuing and emerging priorities of BC Housing and the government.

Detailed Status Report on the Recommendations Contained in the 1999/2000 Report 8 - November 1999: Social Housing: The Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Recommendation	Implementation Status	Assigned to:	Target Date(s):
Recommendation #5: We recommend that the Minister responsible assess whether the General Manager of BC Housing should continue to hold positions in government ministries and in the Provincial Rental Housing Corporation and, if not, remove these positions from the General Manager's responsibilities.	**Implementation Status: Fully Implemented** In March 1999, there was a change in senior management within BC Housing. The new Chief Executive Officer was not appointed as Assistant Deputy Minister. The Board Governance Manual contains guidelines and terms of reference for the Board, the Chair and the Chief Executive Officer. This includes the appointment of the Chair as President of Provincial Rental Housing Corporation (PRHC). The Chief Executive Officer continues to participate on the Board of Directors of PRHC as a director as opposed to Chair as was the previous governance structure. See *Implementation Status* for Recommendation #7 for further details.	Board of Commissioners, Board Governance Committee, Executive Office	Implementation: Completed Governance Manual received final approval by BC Housing's Board of Commissioners at their meeting on June 10th, 2000. Appointment of the Chair as President of PRHC on April 29, 2000.
Recommendation #6: We recommend that the Board of BC Housing clarify the roles and responsibilities of the chair and general manager and that it communicate this clarification to management.	**Implementation Status: Fully Implemented** The Board Governance Manual outlines the roles and responsibilities of the Board, Chair and Chief Executive Officer. All parties were involved with the development of the Manual. See Implementation Status for Recommendation #4 for further details.	Board of Commissioners, Board Governance Committee, Executive Office	Implementation: Completed Manual received final approval by BC Housing's Board of Commissioners in 2000 with a review and subsequent revisions in 2001.
Recommendation #7: We recommend that the government identify the governance and operational structure that will enable PRHC's activities to be carried out most cost-efficiently and effectively while recognizing BC Housing's interest in PRHC operations.	**Implementation Status: Substantially Implemented** Following a series of reports to the Board of Commissioners exploring a range of possible alternatives, the Board determined that: An Interim Development Committee of BC Housing be established to carry out all development approvals. As part of this process, the Minister responsible for	Board of Commissioners, Executive Office	Implementation: Ongoing Proposed structure adopted by the Board on April 29, 2000.

Detailed Status Report on the Recommendations Contained in the 1999/2000 Report 8 - November 1999: Social Housing: The Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Recommendation	Implementation Status	Assigned to:	Target Date(s):
	housing, as sole shareholder of PRHC, appoint the same persons as PRHC's Board of Directors. The following persons are members, all by virtue of their position at BC Housing: ▪ the Chief Executive Officer; ▪ the Chair; ▪ the Director of Development Service; ▪ the Director of Housing Operations; and ▪ the Chief Financial Officer. The officers of PRHC will consist of the Chair as President and the Legal Assistant as Corporate Secretary. These changes allow for greater integration in the decision making between BC Housing and PRHC. As part of government's Core Review process, BC Housing, together with the Ministry and the Minister responsible for housing, will present options to the Core Services Review & Deregulation Task Force with regards to the most effective means of implementing the government's housing priorities. BC Housing is awaiting the outcome of its Core Services Review prior to moving forward on any additional changes.		Chair and senior management will work toward legislative changes should the Minister responsible for housing and the Core Services Review & Deregulation Task Force confirm the mandate and governance approach most appropriately suited to meeting the housing priorities of government.
Recommendation #8: We recommend that BC Housing strongly encourage its Ministry, local government and non-profit partners to consult the commission in assessing the impact of any proposed reassignment of responsibility for special needs groups that involves a shelter component.	**Implementation Status: Partially Implemented** The responsibility for the provision of emergency shelters has been under review for some time. In the summer of 2000, a discussion paper was prepared by the Housing Policy Section of the Ministry of Social Development and Economic Security (SDES) outlining key factors to be considered for the possible extension of BC Housing's mandate to include the provision of emergency shelters which currently is the responsibility of the Employment and Benefits Division of SDES. This discussion paper was provided to ShelterNet BC, the provincial network of emergency shelter providers.	Board of Commissioners, Executive Office, Housing Operations Branch & Housing Policy Section of the Ministry of	Implementation: Ongoing The Deputy Minister made a decision not to transfer the Shelter Mandate in the fall of 2000. Core Services Review Task Force to determine future directives.

Detailed Status Report on the Recommendations Contained in the 1999/2000 Report 8 - November 1999: Social Housing: The Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Recommendation	Implementation Status	Assigned to:	Target Date(s):
	Several meetings were held between representatives of ShelterNet BC, BC Housing, the Housing Policy Section and the Employment & BC Benefits Division to discuss the transfer of the shelter mandate to BC Housing. The Deputy Minister at that time determined that the Shelter Mandate would remain with the Ministry. As part of the Core Services Review process, government is in the process of reviewing the housing responsibilities that exist across government. It is hoped that through this review the most cost effective client focussed implementation of government supported housing across various Ministries and agencies will be considered and options recommended to the Core Services Review & Deregulation Task Force.	Community, Aboriginal & Women's Services	
DIRECTION: RECOMMENDATION #9-10			
Recommendation #9: We recommend that BC Housing expand the content of its strategic plan to identify how progress in pursuing the stated strategies will be measured. We also recommend that BC Housing continue to develop its business plans to give focus to establishing performance expectations and measuring results.	**Implementation Status: Fully Implemented** For three years now, the Board, in cooperation with senior management has worked towards the development of an integrated strategy and performance plan for the Commission. Each year, the Board and senior management build on the Performance/ Service Plan, a multi-year business plan that identifies key priorities and performance targets. BC Housing's Annual Report details the Commission's performance in achieving the targets set out for it in its multi-year Performance/Service Plan.	Board of Commissioners, Executive Office	Implementation: Ongoing Multi-year Performance/ Service Plan adopted by the Board annually. Quarterly accountability reports submitted to the Board of Commissioners on a regular basis.

Detailed Status Report on the Recommendations Contained in the 1999/2000 Report 8 - November 1999: Social Housing: The Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Recommendation	Implementation Status	Assigned to:	Target Date(s):
Recommendation #10: We recommend that the Board of BC Housing formally obtain the government's approval for the Board's interpretation of the Commission's mandate and strategic plan.	**Implementation Status: Fully Implemented** In the past, both BC Housing's Performance/Service Plan and Governance Manual were formally presented to, and accepted by, the Minister responsible for housing. Both documents detail BC Housing's mandate, vision and strategic directions. However, as with all Ministries and Crown Corporations/Agencies, BC Housing is involved in government's Core Services Review. Through this review, government will consider the mandate of the Commission and will determine the most appropriate and efficient way to implement its housing priorities.	Board of Commissioners, Executive Office	Implementation: Completed BC Housing's Performance/Service Plan is submitted to the Minister responsible for housing on a regular basis
ACCOUNTABILITY: RECOMMENDATION #11-15			
Recommendation #11: We recommend that the Board of BC Housing ensure that the Commission's annual report is presented to the Minister responsible within the time limit imposed by the legislation.	**Implementation Status: Fully Implemented** BC Housing has formally presented its Annual Report to the Minister responsible for housing in a timely manner thereby fulfilling the Commission's responsibilities within the time limit imposed by legislation. This year, BC Housing will meet the request of the Crown Agencies Secretariat for the 2001/02 Annual Report to be submitted by July 11, 2002.	Board of Commissioners, Executive Office, Research and Corporate Planning, Communications	Implementation: Completed BC Housing's Annual Report has been submitted as per the legislated requirements to the Minister responsible for housing on a regular basis.
Recommendation #12: We recommend that BC Housing improve its public reporting by providing in its annual report information about: ▪ All key aspects of its performance (financial, organizational and program performance, legal compliance and fairness, equity and probity);	**Implementation Status: Fully Implemented** For the last three years (including 2001/02) the Annual Report has provided an overview of BC Housing's strategic priorities and reports on the progress that the Commission has made in meeting the targets set out in its Performance/Service Plan. The Annual Report also includes financial statements for the year and a summary of priorities for the upcoming year.	Board of Commissioners, Executive Office, Research and Corporate Planning, Communications	Implementation: Ongoing BC Housing's Annual Report has been submitted to the Minister responsible for housing on a regular basis.

Detailed Status Report on the Recommendations Contained in the 1999/2000 Report 8 - November 1999: Social Housing: The Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Recommendation	Implementation Status	Assigned to:	Target Date(s):
▪ Measurable objectives and targets (when the commission has completed its process for developing business plans); and, ▪ Historical performance.	A copy of the 2001/02 Annual Report will be forwarded to the Office of the Auditor General by July 30, 2002.	Board of Commissioners, Executive Office, Research and Corporate Planning	Ongoing effort will be made to ensure that the Commission continues to meet its legislated requirements and that it follows the guidelines for Service Plans and Annual Reports as set out by the Crown Agencies Secretariat.
Recommendation #13 We recommend that the Minister responsible and the Board of BC Housing decide what information should be reported with respect to the performance of the social housing sector and how best to collect that information. If BC Housing is considered to be the most appropriate agency to collect the information, then reporting expectations should be made clear to it.	**Implementation Status: Substantially Implemented** At the Board planning session in March 2000, the Board identified the following strategic priorities: ▪ Developing a research capability to better understand local housing needs and support the development of a range of options; ▪ Encouraging partnerships with community resources outside of the housing site to promote economic, mental and physical well-being of tenants: and ▪ Continuing our commitment to enhancing our role as a social housing landlord. In support of these priorities and in keeping with the commitments made at the presentation to the Select Standing Committee on Public Accounts in March 2000, a number of major research initiatives have been completed or are under way, including: ▪ an examination of the benefits for social housing; ▪ an evaluation of the benefits to arise from the decision to purchase the Sunrise and Washington hotels; and, ▪ an evaluation of the social and health benefits to arise from developments designed to provide housing	Board of Commissioners, Executive Office, Research and Corporate Planning	Implementation: Ongoing Identified as a strategic priority at the Board planning session in March 2000. When appropriate for public distribution, copies of the final reports are made available on BC Housing's website.

Detailed Status Report on the Recommendations Contained in the 1999/2000 Report 8 - November 1999: Social Housing: The Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Recommendation	Implementation Status	Assigned to:	Target Date(s):
	options and support to those homeless or at risk of homelessness. BC Housing has had discussions with the Minister's office about the government's housing priorities, specifically discussions have focussed on housing for the most vulnerable and the reporting expectations as they relate to these housing options. Through the guidance provided by the Core Services Review process this recommendation may be further addressed.		
Recommendation #14: We recommend that the Board of BC Housing identify its information needs as soon as possible to enable it to monitor the organization's performance effectively.	**Implementation Status: Fully Implemented** The accountability/reporting framework, which was adopted and used by the Board since 1999 has provided a foundation from which to build a solid accountability/reporting framework. Through the strategic planning process, BC Housing has been actively working to build on an integrated planning, reporting and budgeting cycle that is in keeping with the expectation of all government agencies. The accountability/reporting framework is an internal management tool designed to provide the Board of Commissioners and senior management with operational and financial information on key business activities on a regular and on-going basis and is designed to help track the overall performance of the Commission in meeting the key strategic priorities identified in the Performance/Service Plan.	Board of Commissioners, Executive Office, Research and Corporate Planning	Implementation: Ongoing Board of Commissioners adopted BC Housing's accountability/reporting framework in July 1999.

Detailed Status Report on the Recommendations Contained in the 1999/2000 Report 8 - November 1999: Social Housing: The Governance of the BC Housing Management Commission and the Provincial Rental Housing Corporation

Recommendation	Implementation Status	Assigned to:	Target Date(s):
Recommendation #15: We recommend that the Commission proceed as quickly as is practicable with the finalization and implementation of its performance measurement framework. In this regard, the Board of BC Housing should satisfy itself that the framework provides an appropriate basis for the Commission to demonstrate its performance in the context of the government's overall social housing objectives.	**Implementation Status: Fully Implemented** As discussed above, this has been addressed through the development of the accountability/reporting framework which was adopted by the Board of Commissioners in July 1999. Regular quarterly reports allow the Board and senior management to track the Commission's performance in meeting the targets that have been set in the multi-year plan. The format of the quarterly reports have been revised to ensure that the accountability/reporting framework is in keeping with strategic priorities for BC Housing and aligned appropriately with government's housing priorities. Periodic format and slight content changes have been made to the quarterly reports to ensure appropriateness of information.	Board of Commissioners, Executive Office, Research and Corporate Planning	Implementation: Ongoing The Board adopted BC Housing's accountability/ reporting framework in July 1999. A copy of the 4th quarter report for 1999/00 was submitted to the Select Standing Committee on Public Accounts as part of the June 30, 2000 package of materials. The Board receives quarter reports on a regular basis.

Summary of Original Report on Social Housing: The Management of Social Housing Subsidies

Audit Purpose and Scope

The audit purpose was to find out whether the processes used by the British Columbia Housing Management Commission (BC Housing) provided reasonable assurance that BC Housing paid social rental housing subsidies in the right amounts, in relation to agreed standards of service, and that the subsidies were used with due regard for economy and efficiency.

We examined the nature and extent of the subsidy verification, payment and monitoring processes used by BC Housing to see whether they provided reasonable assurance that:

- subsidies received by the sponsoring organizations were spent by them with due regard for economy and efficiency;
- the portion of the operating costs of the social housing units contributed by the tenants was correct;
- subsidies paid were properly authorized and correctly calculated; and
- sponsors provided the standards of service set out in the funding agreements.

Overall Conclusion

The nature and extent of BC Housing's verification, payment and monitoring processes provided reasonable assurance that subsidies were being paid in the right amounts and were being used economically and efficiently, and that agreed standards of service were being achieved. However, BC Housing's information systems did not readily capture the results of these processes in a way that enabled sponsor data to be aggregated, analyzed and evaluated. The commission was therefore not able to readily demonstrate that those sponsors that needed the most support were receiving priority over those that needed less, and to assess the extent to which improvements were being made in sponsor performance overall. Moreover, the lack of centralized sponsor information could have made it unnecessarily time-consuming for BC Housing officers to gather the information they needed to plan their reviews and other activities.

Management Report on Progress on Implementing the Recommendations on 1999/2000 Report 8—November 1999: Social Housing: The Management of Social Housing Subsidies

BC Housing

The following is an update on the implementation of the recommendations contained in the above report.

An Audit of The Management of Social Housing Subsidies

The report also contained 12 recommendations related to the management of housing subsidies. Eleven recommendations have been implemented and one is ongoing. BC Housing staff have worked with the housing sector to implement the recommendations such as streamlining operational reviews and developing guidelines for best management practices to encourage more efficient and effective use of resources.

BC Housing is faced with a challenging financial environment. A response to these challenges includes strategies to build on the efficiencies created through the implementation of recommendations contained in the report so that subsidies will continue to be managed effectively within available resources. Our attention has been focused on refining our approach to administrative responsibilities with the goal of reducing the complexity and cost of those responsibilities while maintaining appropriate oversight of government resources and improving overall program coordination. We plan to continue to work with our partners cooperatively to respond to resource constraints in ways, which will maintain effective client support. Over the last two years, BC Housing, in co-operation with housing sponsors, has taken a key role in promoting the efficiency of sponsor operations through various approaches, including:

- The creation of a housing sponsor profile;
- Creation and implementation of a Housing Registry;
- Determination and education into good management practices for non-profit housing providers. As they relate to cost savings; improved quality; legislated requirements; revenue generation and/or reduced risk;
- The implementation of a new operational review process;
- New funding model for replacement reserves; and,
- Simplification of the income verification & tenant rent contributions process.

Summary of Status of Recommendations

Social Housing: The Management of Social Housing Subsidies

Original Issue Date: November 1999

Year Followed Up: 2002

Summary of status at June 2002	OAG	PAC	Further Follow-up Required
Total Recommendations	**12**	**0**	**0**
Fully Implemented	11	0	0
Partially Implemented	1	0	0
Alternative Action	0	0	0

Recommendations not fully implemented at June 2002

Part I: Reviews of Controllable Costs

Recommendation #4: We recommend that BC Housing record and accumulate information gathered in the financial review process in a way that assists all staff of BC Housing to direct their efforts toward those sponsors most in need of support.

Implementation Status by Recommendation

Original Report Title: Social Housing—The Management of Social Housing Subsidies

Original Issue Date: November, 1999

Date Followed Up: June, 2002

Recommendations	Implementation Status			
	Fully	Ongoing	Alternative Action	No Action
Roles and Responsibilities				
1. We recommend that BC Housing use external cost comparisons in the budgetary review process. The commission should, for example, conduct more detailed analyses of cost elements affecting most sponsor budgets so that it can determine ways of more formally comparing costs of developments that have similar operating circumstances.	✓			
2. We recommend that BC Housing develop guidelines for budget approval based on criteria using percentages or dollar-value increases from prior years' budgets. This would enable the commission to identify inefficiencies or uneconomic operations more effectively than it can by relying solely on per-unit-per-month values.	✓			
3. We recommend that BC Housing ensure that the most current financial information is used in the budget review process.	✓			
4. We recommend that BC Housing record and accumulate information gathered in the financial review process in a way that assists all staff of BC Housing to direct their efforts toward those sponsors most in need of support.		✓		
Mortgage Negotiations				
5. We recommend that BC Housing supplement its existing mortgaging expertise by securing access to specialist advice for periodically confirming the suitability of the commission's mortgaging strategies and for advice on specific issues.	✓			
6. We recommend that BC Housing confirm the appropriateness of its performance measures and its targets for mortgaging activities by comparing them with housing and similar agencies in other jurisdictions.	✓			

Recommendations	Implementation Status			
	Fully	Ongoing	Alternative Action	No Action
Replacement Reserves 7. We recommend that BC Housing improve the administration and control over replacement reserves by: ▪ periodically confirming that its funding model for replacement reserves continues to provide the most efficient and effective way of funding capital replacement in social housing developments. ▪ periodically reviewing the continued validity of the assumptions included in its funding model for replacement reserves. The commission should specifically account for the effects of inflation on the cost of replacing capital assets and of interest earned on the invested assets of the replacement reserves. ▪ monitoring more closely the relationship between the replacement values of assets covered by replacement reserves and the extent to which the reserves have been funded. This monitoring would enable BC Housing to identify and correct instances where overfunding either has occurred or is likely to occur in the future. BC Housing should also consider implementing the use of funding thresholds at a level less than 100% of covered assets. ▪ using its information systems more extensively to learn more about the usage of capital assets so that the commission can confirm that the estimated useful lives of the assets for funding purposes are determined as accurately as possible. As well, the systems should capture and report information about reserves that will enable the commission to monitor at differing levels of aggregation the extent to which reserves are funded. ▪ reviewing and changing as needed its investment policies for replacement reserve assets to ensure they provide the optimum blend of earnings potential, liquidity and risk.	✓			
Tenant Rental Contributions 8. We recommend that BC Housing reduce the extent of its recalculation of tenant rents to a level that will provide it with reasonable assurance that tenant rents are materially correct for the purpose of calculating subsidies. The commission should also extrapolate the results of its testing for income loss from incorrect declarations of income and assets so that a conclusion can be made as to whether the likely total misstatement of tenant rent from this cause is at a level that the commission can accept.	✓			

Recommendations	Implementation Status			
	Fully	Ongoing	Alternative Action	No Action
Standards of Service				
9. We recommend that BC Housing record the results of operational reviews in a more uniform and comprehensive way so that they better disclose the extent to which sponsors are individually and collectively delivering an appropriate standard of service to tenants.	✓			
10. We recommend that BC Housing ensure that its information systems report the information about sponsors that property portfolio managers need to properly prioritize operational reviews. As well, BC Housing should ensure that the systems provide regional managers with information to allow them to assess whether the prioritization of reviews is appropriate out the reviews and follow-up are carried out on a timely basis.	✓			
11. We recommend that BC Housing, on an annual basis, obtain copies of management letters issued by financial statement auditors to the sponsor boards, or obtain confirmation that none were issued.	✓			
12. We recommend that BC Housing ensure that board members be present for the conduct of the operational reviews and to discuss the findings, and that commitments be obtained from the board of directors of the sponsors as to future remedial actions. The implementation of action plans should be monitored and documented by BC Housing's property portfolio managers.	✓			

Detailed Status Report on the Recommendations Contained in the 1999/2000 Report 8 - November 1999: Social Housing: The Management of Social Housing Subsidies

Recommendation	Implementation Status	Assigned to:	Target Date(s):
REVIEWS OF CONTROLLABLE COSTS			
Recommendation #1 We recommend that BC Housing use external cost comparisons in the budgetary review process. The commission should, for example, conduct more detailed analyses of cost elements affecting most sponsor budgets so that it can determine ways of more formally comparing costs of developments that have similar operating circumstances.	**Implementation Status: Complete** BC Housing agrees that the use of external cost performance comparisons in reviewing sponsor operating budgets will assist in determining the appropriateness of the expenditures and data from comparable external sources has been incorporated into budget approval guidelines. In reviewing the budgetary review process staff continued to examine the system of controls and discuss options with housing providers. Controls examined include benchmarks for administration, maintenance and total costs, and average costs for other budget categories. In addressing this recommendation, BC Housing reviewed a number of studies to identify factors or "cost drivers" that can have an impact on an organization's operating costs. This would include a study carried out by Price Waterhouse for the "big 4 housing providers" in Ontario as well as a study carried out by Marianne Moershel for the Ontario Non-Profit Housing Association. While we were able to determine a number of indicators of low cost practices, we recognized that truly effective benchmarks and best practices would require a common chart of accounts and a detailed process level review across providers. We are expecting that additional information from the Ontario study will add significantly to our benchmark information. As well, in 2001, the BC Non-Profit Housing Association (BCNPHA) and BC Housing began to focus on efficient and effective delivery of non-profit housing and	Program Operations Research and Planning Regional Operations	December 2002

Detailed Status Report on the Recommendations Contained in the 1999/2000 Report 8 - November 1999: Social Housing: The Management of Social Housing Subsidies

Recommendation	Implementation Status	Assigned to:	Target Date(s):
	promoting high standards of management for the non-profit sector—"best practices." A Best Practices Framework that sets out statements about good management practices for non-profit housing providers has been designed. All the best practice statements link back to results in cost savings, improved quality, legislated requirements, revenue generation and/or reduced risk. Additionally, a self-assessment tool that housing providers may use to assess their performance against the Best Practices Framework and to identify areas of improvement was also developed. The framework together with the self-assessment tool is in the process of being made available as an on-line resource.		
Recommendation #2 We recommend that BC Housing develop guidelines for budget approval based on criteria using percentages or dollar-value increases from prior years' budgets. This would enable the commission to identify inefficiencies or uneconomic operations more effectively than it can by relying solely on per-unit-per-month values.	**Implementation Status: Complete** BC Housing has incorporated the use of year over year percentage changes in sponsor operating budgets as part of the approval process. In addition, average controllable operating cost tables by project type and geographic location are available. These assist BC Housing's property portfolio managers to provide a more thorough assessment of individual projects relative to group norms and to identify cases for further action.	Program Operations Research and Planning Regional Operations	April 2001
Recommendation #3 We recommend that BC Housing ensure that the most current financial information is used in the budget review process.	**Implementation Status: Complete** Property portfolio managers are obtaining the sponsor's most current financial information for review prior to approving the annual operating budget.	Regional Operations	October 2000

Detailed Status Report on the Recommendations Contained in the 1999/2000 Report 8 - November 1999: Social Housing: The Management of Social Housing Subsidies

Recommendation	Implementation Status	Assigned to:	Target Date(s):
Recommendation #4 We recommend that BC Housing record and accumulate information gathered in the financial review process in a way that assists all staff of BC Housing to direct their efforts toward those sponsors most in need of support.	**Implementation Status: In Progress** The system requirements and enhancements for the Housing Provider Profile database will be complete by September 2002, enabling BC Housing to capture information about sponsor performance necessary to assess housing provider position in relation to risk and identify housing providers requiring assistance. The information collected manually during the financial review process on the priority ranking sheet and sponsor overview, along with the results of the Operational Review, will be entered in the database so that those sponsors most in need of support can be identified. The information will also be entered in a way that ensures that information and assessment is readily available to all users. The Housing Provider Kit has been developed to assist housing providers manage affordable housing developments. The kit is made up of five guides: the Operations and Financial Management Guides are available and the Governance, Maintenance and Management Performance Guides will be available in late Summer, 2002.	Program Operations Computer Services	September 2002
MORTGAGE NEGOTIATIONS			
Recommendation #5 We recommend that BC Housing supplement its existing mortgaging expertise by securing access to specialist advice for periodically confirming the suitability of the commission's mortgaging strategies and for advice on specific issues.	**Implementation Status: Complete** BC Housing confirmed with the Debt Management Branch that its mortgage strategies are reasonable.	Financial Services	November 2000

Detailed Status Report on the Recommendations Contained in the 1999/2000 Report 8 - November 1999: Social Housing: The Management of Social Housing Subsidies

Recommendation	Implementation Status	Assigned to:	Target Date(s):
Recommendation #6 We recommend that BC Housing confirm the appropriateness of its performance measures and its targets for mortgaging activities by comparing them with housing and similar agencies in other jurisdictions.	**Implementation Status: Complete** BC Housing has completed an informal survey of larger jurisdictions and confirmed that its mortgage benchmark is reasonable and that rates received on the monthly tenders are comparable to other housing agencies.	Financial Services	November 2000
REPLACEMENT RESERVES			
Recommendation #7 We recommend that BC Housing improve the administration and control over replacement reserves by: ▪ periodically confirming that its funding model for replacement reserves continues to provide the most efficient and effective way of funding capital replacement in social housing developments. ▪ periodically reviewing the continued validity of the assumptions included in its funding model for replacement reserves. The commission should specifically account for the effects of inflation on the cost of replacing capital assets and of interest earned on the invested assets of the replacement reserves. ▪ monitoring more closely the relationship between the replacement values of assets covered by replacement reserves and the extent to which the reserves have been funded. This monitoring would enable BC Housing to identify and correct instances where overfunding either has occurred or	**Implementation Status: Complete** The Computer Services department has designed an InHouse module to capture details of replacement reserve funding. Program Operations staff in the Housing Operations Branch has entered six years of replacement reserve data. A new funding model was implemented in January, 2002, to confirm that individual reserves are funded to an adequate but not excessive level and also monitor investment of those reserves. The following recommendations made the Replacement Reserve Committee, comprised of staff and stakeholders, were implemented on January 1, 2002: ▪ a standardized list of capital replacements was developed; ▪ prior approval for reserve expenditures only under certain circumstances are required; ▪ the rescheduling of individual replacement items was eliminated; ▪ continue to use the current funding assumptions; ▪ upper and lower funding threshold limits were established.	Program Operations Computer Services	January 2002

Detailed Status Report on the Recommendations Contained in the 1999/2000 Report 8 - November 1999: Social Housing: The Management of Social Housing Subsidies

Recommendation	Implementation Status	Assigned to:	Target Date(s):
is likely to occur in the future. BC Housing should also consider implementing the use of funding thresholds at a level less than 100% of covered assets. ▪ using its information systems more extensively to learn more about the usage of capital assets so that the commission can confirm that the estimated useful lives of the assets for funding purposes are determined as accurately as possible. As well, the systems should capture and report information about reserves that will enable the commission to monitor at differing levels of aggregation the extent to which reserves are funded. ▪ reviewing and changing as needed its investment policies for replacement reserve assets to ensure they provide the optimum blend of earnings potential, liquidity and risk.	▪ database enhancements to analyze reserve information were implemented; ▪ the estimated life years of capital replacement items were revised; and ▪ returns on replacement reserve investments have been improved.		
TENANT RENTAL CONTRIBUTIONS			
Recommendation #8 We recommend that BC Housing reduce the extent of its recalculation of tenant rents to a level that will provide it with reasonable assurance that tenant rents are materially correct for the purpose of calculating subsidies. The commission should also extrapolate the results of its testing for income loss from incorrect declarations of income and assets so that a conclusion can be made as to whether the likely total	**Implementation Status: Complete** The Housing Services department in the Housing Operations Branch undertook an extensive consultation in February and March, 2000, with housing sector partners and public housing tenants to review the way income is verified and rent is calculated. The options to simplify rent calculation were modeled and tested by the Research and Corporate Planning department in the Corporate Services Branch. The final report with recommended changes was approved by the Board of Commissioners on April 29, 2000. Staff have updated	Housing Services	Simplified Rent Calculation - October 2000 Risk Analysis - January 2001

Detailed Status Report on the Recommendations Contained in the 1999/2000 Report 8 - November 1999: Social Housing: The Management of Social Housing Subsidies

Recommendation	Implementation Status	Assigned to:	Target Date(s):
misstatement of tenant rent from this cause is at a level that the commission can accept.	the Rent Calculation Manual and have trained staff and housing sponsors. The new process has been in place since October 1, 2000. The simplification of rent calculation will reduce error rates overall. The IT department is looking at electronic entry of rent information and document scanning. The Dollar Unit Sampling (DUS), a statistical sampling method, has been implemented to select tenants for random audits, allowing BC Housing to extrapolate the results.		
STANDARDS OF SERVICE			
Recommendation #9 We recommend that BC Housing record the results of operational reviews in a more uniform and comprehensive way so that they better disclose the extent to which sponsors are individually and collectively delivering an appropriate standard of service to tenants.	**Implementation Status: Complete** The operational review process was revised to ensure consistent and relevant information is gathered. The new process promotes understanding of the requirements for housing providers, ensures equal and consistent treatment for all housing providers and allows for a more consistent approach by BC Housing.	Regional Operations Computer Services	June 2002
Recommendation #10 We recommend that BC Housing ensure that its information systems report the information about sponsors that property portfolio managers need to properly prioritize operational reviews. As well, BC Housing should ensure that the systems provide regional managers with information to allow them to assess whether the prioritization of reviews is appropriate and the reviews and follow-up are carried out on a timely basis.	**Implementation Status: Complete** On June 1, 2002, the recommendations made by the Operational Review Committee were implemented. The property portfolio managers rank each requirement of the review using a point score system to prioritize the level of support required by the housing provider, and also use upper and lower at risk benchmarks to determine the level of follow-up required. An audit-based approach to building inspections is also used. The requirements under the rent supplement program agreements were modified to require a review or building inspections only when BC Housing determines a need. A system has been developed to assist with the monitoring	Regional Operations Computer Services	June 2002

Detailed Status Report on the Recommendations Contained in the 1999/2000 Report 8 - November 1999: Social Housing: The Management of Social Housing Subsidies

Recommendation	Implementation Status	Assigned to:	Target Date(s):
	and support of the remedial work of the housing provider. Enhancements to the database have been implemented to produce a yearly report that identifies the next review date for each housing provider.		
Recommendation #11 We recommend that BC Housing, on an annual basis, obtain copies of management letters issued by financial statement auditors to the sponsor boards, or obtain confirmation that none were issued.	**Implementation Status: Complete** BC Housing requests sponsors to provide copies of management letters issued by financial statement auditors. However, the management letter is privileged client information and there is no requirement for the sponsor to provide this information to BC Housing.	Program Operations	April 2000
Recommendation #12 We recommend that BC Housing ensure that board members be present for the conduct of the operational reviews and to discuss the findings, and that commitments be obtained from the board of directors of the sponsors as to future remedial actions. The implementation of action plans should be monitored and documented by BC Housing's property portfolio managers.	**Implementation Status: Complete** While BC Housing staff prefer to meet with the society board members to discuss the outcome of the operational review, this is not always possible. In the case of larger societies, the responsibility may be delegated to the Executive Director. BC Housing will continue to inform housing providers and board of directors of the results of the Operational Review. Board members will always have the option to determine their level of involvement.	Regional Operations Computer Services	June 2001

Appendix

Timetable of Reports Issued and Public Accounts Committee Meetings on Social Housing: The Governance of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation; The Management of Social Housing Subsidies

November 1999	The Auditor General issues the original report. The report contains fifteen recommendations relating to the audit of the governance of BC Housing and PRHC and twelve recommendations relating to the audit of the management of social housing subsidies.
March 7, 1999	The Select Standing Committee on Public Accounts reviews the report. On completing its review, fifteen recommendations from the governance audit and twelve recommendations from the subsidy audit remains outstanding.
October 2000	The Public Accounts Committee meets to discuss its draft committee report on Social Housing. The Committee decides to defer further consideration of its draft report until our first follow-up then in progress had been completed and submitted to the Committee. The follow-up representations and our opinion on them were delivered to the Committee on October 20, 2000 and the Committee finalized its report on our original report on November 7, 2000. In its report, the Committee endorsed all of the recommendations made in our original report. No additional recommendations were made by the Committee.
March, 2001	The Committee's report on Social Housing, the Tenth Report of the Fourth Session of the Thirty-sixth Parliament, is tabled in the Legislative Assembly. The Committee has not tabled a report dealing explicitly with our first follow-up report.
July 2002	Office of the Auditor General issues second follow-up report.

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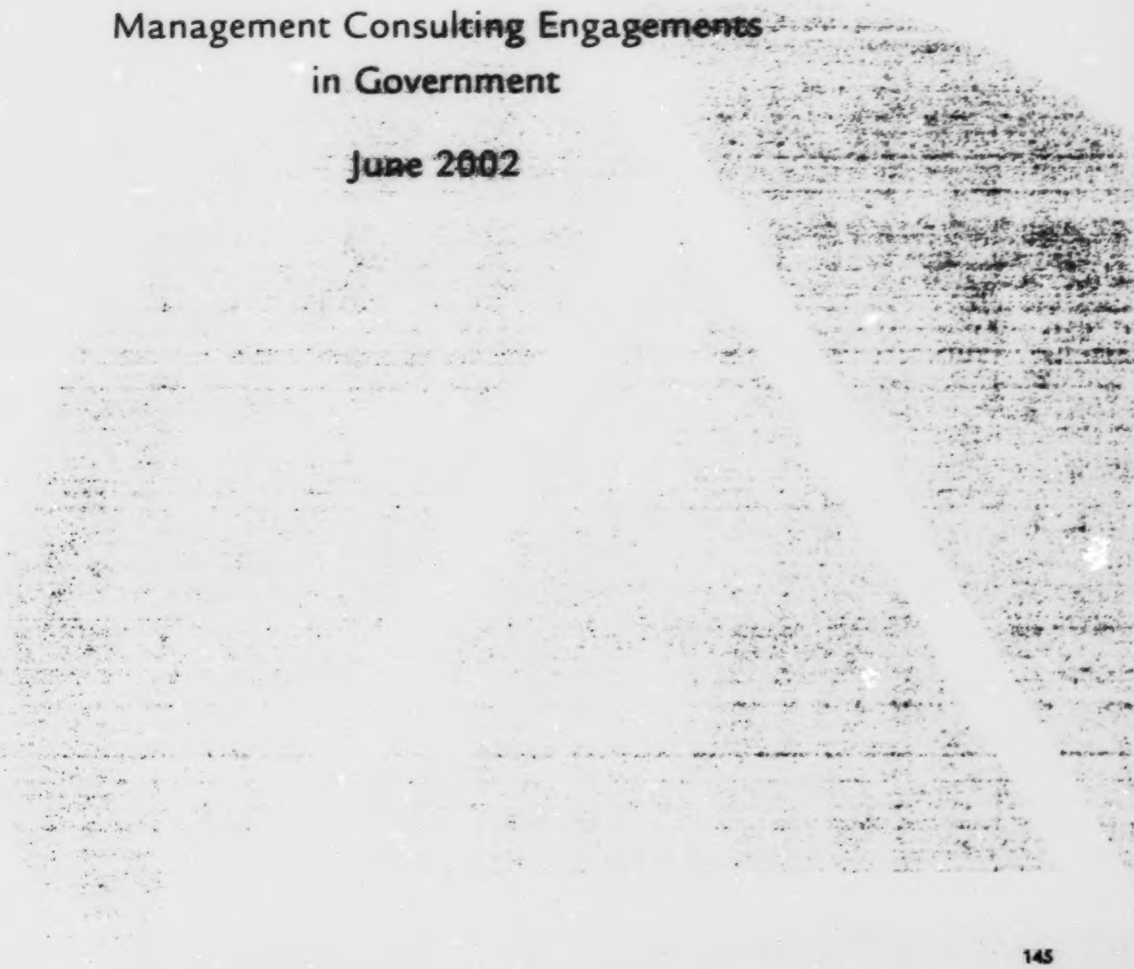
Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee on Public Accounts regarding the follow-up of recommendations in

2000/2001 Report 4:

Management Consulting Engagements in Government

June 2002



OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

We have carried out a follow-up review of the implementation of the recommendations in our report of 2000/2001: Report 4: Management Consulting Engagements in Government and enclose the following:

- My opinion on the status provided by management.
- A Summary of the original report showing the audit purpose, scope and overall conclusion.
- A Summary of the status of recommendations.
- Management's representations on the status of recommendations.
- Timetable of Reports Issued and Public Accounts Committee Meetings on Management Consulting Engagements in Government.

Since there are still significant recommendations that have not been implemented, we will carry out a follow-up in about six-month's time and report to the committee after completion of our review.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

June 2002

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our follow-up of our recommendations from our 2000/2001: Report 4: Management Consulting Engagements in Government.

Information as to the status of the recommendations was provided to us by the Ministries of Advanced Education, Children and Family Development, Competition, Science and Enterprise, Finance, Forests, Health Planning and Health Services and Management Services. We reviewed these responses in June 2002.

We have reviewed the representations provided by these ministries regarding their progress in implementing the recommendations. Our review was limited to the policies and management practices implemented since our audit and did not allow us to assess how well the ministries are actually complying with government policies. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the Status Report on Implementation of the Auditor General's recommendations does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our Management Consulting Engagements in Government report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

June 28, 2002

Summary of Original Report on Management Consulting Engagements in Government

Audit Purpose and Scope

The purpose of the audit was to determine to what extent the government in British Columbia was receiving value for money from its management consulting engagements and whether government was awarding these contracts in a fair and open manner.

We answered the following four key questions:

- Were the management consulting contracts awarded in a fair and open manner?
- Did the results of the engagements meet the need originally identified?
- Were the results of the management consulting engagements used?
- Could management demonstrate that the benefits of the management consulting engagements outweighed the costs?

The audit was limited to management consulting contracts within ministries. It did not consider those contracts awarded by Crown corporations or other government agencies, which were not subject to the same policies and procedures as the ministries. Information technology consulting was also not included. We did not perform a comprehensive review of the legal aspects of contracting for management consulting services (for example, contract language and enforceability).

We focused only on the actions of government officials as they entered into and administered these management consulting contracts, and we did not audit the consultants, and we make no comment on their actions.

Overall Conclusion

Overall, we concluded that the ministries were receiving value for money from the majority (about 74%) of the management consulting contracts we could conclude on. In the other 26%, value for money was not received. In these situations, inadequate planning, inappropriate contractor selection, poor contract management or a combination of these factors usually accounted for the results. We also concluded that in most cases the ministries lacked action plans with which to ensure that consultant recommendations are acted upon and not lost or forgotten.

All of the ministries we reviewed, with the exception of the Ministry of Forests, usually awarded their management consulting contracts directly and not in an open and fair manner. Direct awards are contrary to government's principle of fair and open competition and make it almost impossible to ensure that management consulting engagements are being awarded in a manner that ensures best value. Although there are legitimate reasons for direct awarding, most of those we reviewed were not justifiable. Because direct awards were easier to initiate, managers generally opted for efficiency rather than fairness and openness.

At the same time, since the $25,000 threshold and the exceptions to competitive award policies had not been reviewed for several years, it was not clear to us whether these policies led to the best value or represented the best balance between fairness and efficiency.

Summary of Status of Recommendations

Management Consulting Engagements in Government

Original Issue Date: March 2001

Year Followed Up: 2002

Summary of Status as at April 30, 2002	Ministry					
	Finance Management Services	Advanced Education	Children and Family Development	Competition, Science and Enterprise	Forests	Health
Total Recommendations	**3**	**9**	**9**	**9**	**9**	**9**
Fully Implemented	0	2	2	3	9	6
Substantially Implemented	1	5	6	2	0	2
Partially Implemented	1	1	1	4	0	0
Alternative Action	1	0	0	0	0	1
No Action	0	1	0	0	0	0
Follow-up Required	2	2	1	4	0	0

Recommendations Requiring Follow-up

Ministries of Finance and Management Services

- Government should ensure that a number of direct award contracts are randomly audited each year, to check that these contracts are being awarded according to government policy.
- Government should annually report all service contracts for amounts greater than the competitive award threshold, including information about the purpose of the contract, the contractor name, the size of the contract and the awarding method.

Ministry of Advanced Education

- Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.

- Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.

Ministry of Children and Family Development

- Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.

Ministry of Competition, Science and Enterprise

- Ministries should establish adequate systems for ensuring that relevant contract documentation is maintained.
- Ministries should ensure they adequately assess and document the need for a consulting project before seeking to engage a consultant. For significant projects, this assessment should include a more rigorous analysis and documentation of the costs and benefits.
- Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.
- Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.

Ministry of Finance and Ministry of Management Services
Summary of Status of Implementation by Recommendation 2000/01 Report 4: Management Consulting Engagements in Government As at April 30, 2002
Ministries of Finance and Management Services

Auditor General's Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
Part I: Is the process of awarding management consulting contracts fair and open? 4. Government should review the $25,000 threshold and the rules surrounding the exceptions to competitive awarding, to assess whether they lead to best value and represent a reasonable balance between administrative efficiency and fairness.		✓			
5. Government should ensure that a number of direct award contracts are randomly audited each year, to check that these contracts are being awarded according to government policy.			✓		
6. Government should annually report all service contracts for amounts greater than the competitive award threshold, including information about the purpose of the contract, the contractor name, the size of the contract and the awarding method.				✓	

Progress on Implementing the Recommendations on 2000/01 Report 4: Management Consulting Engagements in Government As at April 30, 2002 Overview of response from Ministries of Finance and Management Services

The Ministries of Finance and Management Services are responding to those recommendations directed at government. Subsequent to the Public Accounts Committee meeting, reviews commenced as to the threshold for direct awarding of contracts, and of the requirements for enhanced reporting of contract information. A memorandum was sent to all Executive Financial Officers and Senior Financial Officers on January 3, 2002 informing them of the Auditor General's recommendations and requesting their assistance in changing the culture of their ministries and requesting their compliance with contracting policy. Also, a letter was sent to all Deputy Ministers on May 29, 2002 from the Deputy Ministers of the Ministry of Finance and the Ministry of Management Services to seek their support in understanding and implementing government's commitment to fair and open tendering.

Part I: Is the process of awarding management consulting contracts fair and open?

Recommendation #4:

Government should review the $25,000 threshold and the rules surrounding the exceptions to competitive awarding, to assess whether they lead to best value and represent a reasonable balance between administrative efficiency and fairness.

Substantially implemented. Please refer to the progress report attached. In summary, the threshold has been reviewed in tandem with a larger procurement reform project. There is no compelling argument to change the threshold, so it will not be changed at this time. Instead, the Procurement and Supply Services Division will be redesigning the competitive process for lower dollar procurements, and simplifying procurement policy. Once the consultation process associated with this project is completed, the threshold will be reviewed again.

Recommendation #5:

Government should ensure that a number of direct award contracts are randomly audited each year, to check that these contracts are being awarded according to government policy.

Partially implemented. Internal Audit & Advisory Services (IAAS), in the Office of the Comptroller General, develops risk based audit plans for the ministries of government and central government. These plans include audits of ministry programs and common government functions. Depending upon the risks identified, audit plans may focus only on contract management, or examine contract management as a component in audits of programs and financial functions. Audits have not focused specifically on the direct award of management consulting contracts.

Since the report by the Office of the Auditor General on management consulting contracts, IAAS has examined contract management as part of the following projects:

- Contracting in the Community, Health and Social Services Sectors—review of contract reform initiative.
- A planned cross government audit of contract management practices for service contracts was deferred by the then Secretary to Treasury Board due to concerns over ministry workloads. This will be included in the 2002/03 cross government audit plan.
- Audit work related to contract management performed on ten ministries was finalized in 2001/02, two of which resulted in advice to the ministry from the Comptroller General. In 2002/03, three additional audits involving contract management have been completed. IAAS is in the process of developing its 2002/3 audit plans. There are four more projects planned to date involving contract management. It is anticipated that, as government privatizes or contracts out more of its services, the level of audit scrutiny applied to contracting practices will increase.

In addition to the efforts of Internal Audit and Advisory Services, a Payment Review Office has been created in the Office of the Comptroller General. Its purpose includes statistical sampling and detailed review of a variety of payments, which will also include reviews of policy compliance, contract payments, and related documentation.

Recommendation #6:

Government should annually report all service contracts for amounts greater than the competitive award threshold, including information about the purpose of the contract, the contractor name, the size of the contract and the awarding method.

Alternative Action. Government's response included a commitment to review the requirements for this suggestion, and related issues. The ministries' indicated that the suggestion has conceptual merit as it may increase accountability; however, they lack tools to provide this information easily and on a timely basis. The review results indicate that a contract management information system would assist ministries in capturing and reporting this and a variety of other contract data, that is not currently captured in the Corporate Accounting System. Although important and needed, higher priorities in information technology have been identified and must be completed before a Contract Management Information System can be developed.

Reporting through BC Bid is an issue that has yet to be finalized. Within the BC Bid enhancements there will be a variety of solicitation document templates. The Purchasing Commission expect that they will be able to report the number of documents issued by type, such as the number of Notices of Intent issued, or the number of Invitations to Quote issued. However, they can only report on the resulting contract if the posting organization chooses to use the full functionality of BC Bid

Related issues included whether there is public demand for additional information. At this time, there appears to be public demand for additional information regarding government contracting. A review of issues such as privacy and confidentiality concerns and the overall cost/benefit of collecting and reporting additional data will commence over the coming weeks.

Summary of Status of Implementation by Recommendation 2000/01 Report 4: Management Consulting Engagements in Government As at April 30, 2002 Ministry of Advanced Education

Auditor General's Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
Part I: Is the process of awarding management consulting contracts fair and open? 1. Ministries should ensure staff are aware of, and follow, government policy for awarding service contracts. This could be done by ensuring staff are aware of the expert assistance, information sources and training opportunities available to them and through the use of a contract information sheet when documenting the awarding of a contract. This sheet should include a checklist composed of all government policy relating to (1) the exceptions to competitive awarding and (2) the notice of intent requirements, and should require the contract manager to describe how the chosen criterion has been met.	✓				
2. Ministries should encourage the use of bidders' lists that are established through an openly advertised means.		✓			
3. Ministries should establish adequate systems for ensuring that relevant contract documentation is maintained.	✓				
4. Government should review the $25,000 threshold and the rules surrounding the exceptions to competitive awarding, to assess whether they lead to best value and represent a reasonable balance between administrative efficiency and fairness.					Min of Finance responsibility
5. Government should ensure that a number of direct award contracts are randomly audited each year, to check that these contracts are being awarded according to government policy.					Min of Finance responsibility
6. Government should annually report all service contracts for amounts greater than the competitive award threshold, including information about the purpose of the contract, the contractor name, the size of the contract and the awarding method.					Min of Finance responsibility

Auditor General's Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
Part II: Is the use of management consulting engagements providing value? 7. Ministries should ensure they adequately assess and document the need for a consulting project before seeking to engage a consultant. For significant projects, this assessment should include a more rigorous analysis and documentation of the costs and benefits.		✓			
8. Ministries should ensure their management consulting contracts contain clear terms and conditions, including statements of deliverables and work, and applicable performance standards.		✓			
9. Ministries should ensure contract amendments are in the best interest of the government and are not a result of poor planning or an attempt to avoid competitively awarding contracts.		✓			
10. Ministries should ensure services under a contract do not begin until all required approvals are obtained and the contract is finalized.		✓			
11. Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.					✓
12. Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.			✓		

Progress on Implementing the Recommendations on 2000/01 Report 4: Management Consulting Engagements in Government As at April 30, 2002 Ministry of Advanced Education

A briefing note summarizing the major concerns raised by the Public Accounts Committee, specifically the issues of open tendering, contractors beginning work without a signed contract, and analysis to ensure value for money was received, was presented to the ministry's Executive Committee in January 2002. Other recent changes include a quarterly report to the Executive Financial Officer of contracts over $25,000 awarded each quarter, including the number and percentage of contracts that were direct awarded. In addition to this summary report, a high level review is done for branches on a cyclical basis and feedback is provided to directors and the Deputy Minister on award method, approval process, start date vs. contract approval date, and clarity of terms and conditions. As well, since October 2001, the Deputy Minister has reviewed every service contract before it is signed.

Part I: Is the process of awarding management consulting contracts fair and open?

1. *Ministries should ensure staff are aware of, and follow, government policy for awarding service contracts. This could be done by ensuring staff are aware of the expert assistance, information sources and training opportunities available to them and through the use of a contract information sheet when documenting the awarding of a contract. This sheet should include a checklist composed of all government policy relating to (1) the exceptions to competitive awarding and (2) the notice of intent requirements, and should require the contract manager to describe how the chosen criterion has been met.*

Fully implemented. The Ministry's on-line *Financial Management Policy and Procedures Manual* contains a comprehensive chapter on contracting, including numerous examples and checklists. A Contract Management Workshop and workbook were developed in December 1999. The workshop is offered as demand requires. Approximately 30 staff from the Ministry of Advanced Education have attended this workshop. The Ministry has used a contract approval sheet for a number of years. The sheet includes the suggested information about exceptions to competitive awarding and notice of intent requirements. As a result of this audit, the sheet was amended slightly to add room for a narrative description of the reason for direct award. In September 2001, a memo was sent to all staff reminding them of the importance of open tendering and providing information about the process for posting bids on the BC Bid website.

2. *Ministries should encourage the use of bidders' lists that are established through an openly advertised means.*

   Substantially implemented. The use of bidders' lists continues to be highlighted in our Contract Management Workshops. We have worked with some areas of the Ministry of Education's Management Services Division, which supports the Ministry of Advanced Education, to establish bidders' lists over the last few months. However, this is generally not an effective competition strategy for the program branches of the Ministry as they tend not to have a regularly recurring need for services of a particular type.

3. *Ministries should establish adequate systems for ensuring that relevant contract documentation is maintained.*

   Fully implemented. The Ministry of Education's Finance and Administrative Services Branch (FASB) keeps original signed contracts, amendments and payment information centrally. The Contract Management Workshop includes a checklist of required contract documentation.

4. *Government should review the $25,000 threshold and the rules surrounding the exceptions to competitive awarding, to assess whether they lead to best value and represent a reasonable balance between administrative efficiency and fairness.*

   N/A

5. *Government should ensure that a number of direct award contracts are randomly audited each year, to check that these contracts are being awarded according to government policy.*

   N/A

6. *Government should annually report all service contracts for amounts greater than the competitive award threshold, including information about the purpose of the contract, the contractor name, the size of the contract and the awarding method.*

   N/A

Part II: Is the use of management consulting engagements providing value?

7. *Ministries should ensure they adequately assess and document the need for a consulting project before seeking to engage a consultant. For significant projects, this assessment should include a more rigorous analysis and documentation of the costs and benefits.*

   Substantially implemented. The Ministry's manual provides staff with an on-line Contract Management Planning Document to simplify performing and documenting the needs analysis. As mentioned above, the Deputy Minister must also review and approve all contracts before they are signed.

8. *Ministries should ensure their management consulting contracts contain clear terms and conditions, including statements of deliverables and work, and applicable performance standards.*

   Substantially implemented. FASB provides on-line contract forms and schedules to make contract writing easier for staff. The workshop has a module on writing clear and effective contracts, and the workbook provides additional writing tips and ideas. FASB contract specialists or certified contract administrators in program area review draft contracts to help ensure clarity. On a cyclical basis, feedback is provided to directors about the clarity and content of contracts over $25,000.

9. *Ministries should ensure contract amendments are in the best interest of the government and are not a result of poor planning or an attempt to avoid competitively awarding contracts.*

   Substantially implemented. The Ministry has always endorsed this position. The Ministry's manual and workshop provide clear guidance on contract planning and identify when contract amendments are appropriate. The Ministry is investigating whether a report of contract amendments in a given quarter can be generated from CAS/ORCA. This information could be included in the quarterly contract review so that Directors are made aware of the frequency of amendments.

10. *Ministries should ensure services under a contract do not begin until all required approvals are obtained and the contract is finalized.*

    Substantially implemented. The risks of not complying with this requirement are reinforced in the Ministry's Contract Management Workshop. Beginning April 1, 2001, cyclical reviews are done for contracts over $25,000. Instances of non-compliance are reported to each branch Director, and to the Deputy Minister.

11. *Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.*

    Not implemented. A memorandum will be issued to staff reinforcing the importance of developing and monitoring an action plan to implement the management consulting recommendations they have accepted.

12. *Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.*

    Partially implemented. An evaluation form is available on-line to assist staff in this. The policy and value of performing an evaluation is further endorsed in the Contract Management Workshop.

Summary of Status of Implementation by Recommendation 2000/01 Report 4: Management Consulting Engagements in Government As at April 30, 2002 Ministry of Children and Family Development

Changes that have occurred since the Public Accounts Committee last discussed the report:

- A directive March 22, 2002 requires all Ministry Spending Authorities to complete evaluations of the results of all completed management consulting engagements over $25,000 and forward the evaluation to Financial Planning Section.
- March 25, 2002, the process was streamlined to require only ADM approval. Until March 2002, the contract approval form required DM approval.

Auditor General's Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
Part I: Is the process of awarding management consulting contracts fair and open?					
1. Ministries should ensure staff are aware of, and follow, government policy for awarding service contracts. This could be done by ensuring staff are aware of the expert assistance, information sources and training opportunities available to them and through the use of a contract information sheet when documenting the awarding of a contract. This sheet should include a checklist composed of all government policy relating to (1) the exceptions to competitive awarding and (2) the notice of intent requirements, and should require the contract manager to describe how the chosen criterion has been met.	✓				
2. Ministries should encourage the use of bidders' lists that are established through an openly advertised means.	✓				
3. Ministries should establish adequate systems for ensuring that relevant contract documentation is maintained.		✓			
4. Government should review the $25,000 threshold and the rules surrounding the exceptions to competitive awarding, to assess whether they lead to best value and represent a reasonable balance between administrative efficiency and fairness.					Min of Finance responsibility

Auditor General's Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
5. Government should ensure that a number of direct award contracts are randomly audited each year, to check that these contracts are being awarded according to government policy.					Min of Finance responsibility
6. Government should annually report all service contracts for amounts greater than the competitive award threshold, including information about the purpose of the contract, the contractor name, the size of the contract and the awarding method.					Min of Finance responsibility
Part II: Is the use of management consulting engagements providing value? 7. Ministries should ensure they adequately assess and document the need for a consulting project before seeking to engage a consultant. For significant projects, this assessment should include a more rigorous analysis and documentation of the costs and benefits.		✓			
8. Ministries should ensure their management consulting contracts contain clear terms and conditions, including statements of deliverables and work, and applicable performance standards.		✓			
9. Ministries should ensure contract amendments are in the best interest of the government and are not a result of poor planning or an attempt to avoid competitively awarding contracts.		✓			
10. Ministries should ensure services under a contract do not begin until all required approvals are obtained and the contract is finalized.		✓			
11. Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.			✓		
12. Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.		✓			

April 2002: Ministry of Children and Family Development Action Plan in response to the Office of the Auditor General of BC Report on Management Consulting Engagements In Government

Rpt. Ref.	Recommendation	Ministry Response	Action(s) Completed (including date initiated)	Action(s) Planned (including proposed implementation date)
1	Ministries should ensure staff are aware of, and follow government policy for awarding service contracts. This could be done by ensuring staff are aware of the expert assistance, information sources and training opportunities available to them and through the use of a contract information sheet when documenting the awarding of a contract. This sheet should include a checklist composed of all government policy relating to (1) the exceptions to competitive awarding and (2) the notice of intent requirements, and should require the contract manager to describe how the chosen criterion has been met.	The ministry has implemented a contract pre-approval checklist form for all contracts, which requires spending authorities to confirm government policies have been complied with and identifying all exceptions. In addition, the ministry has conducted numerous contract management workshops, and continues this training, to ensure employees at all levels are aware of contract management policies and practices, information sources and assistance available.	April 2000 implemented a Contract Pre-Approval Checklist. CF2511. April 6, 2000 distributed a directive detailing the Ministry's Contract /Contribution /Grant Pre-Approval Policy., updated June 22, 2000 and March 25, 2002. Web Based Fill and Print form CF2511 in use since mid 2000. March 29, 2001, distributed directives to ministry ADM's, Regional Executive Directors and Branch Directors on policies and procedures for contracts and avoiding Employer/Employee relationships when engaging for contracted services. Included requirement for spending authorities must provide written justification for Direct Award contracts and obtain pre-approval from the Deputy Minister or delegated authority. May 14, 2001 distributed directive covering assessing the need for a consultant, bidders lists, contract amendments and contract evaluations. March 22, 2002 issued a directive to all Ministry spending authorities restating the policies and requiring that evaluations be done. In fiscal years 2001 and 2002, contracts training was delivered to HQ and Regional employees ranging from ADM to clerical: *Managing Government Contracts* (3 days, Three E, 49 employees) *Advanced Contract Management* (2 days, NECI, 23 employees) *Contract Admin Support Services* 2 days, Three E ; 17 employees	MCFD is the lead ministry in developing an electronic Fill and Route approval form with implementation expected June 2002. A multi ministry competency, committee, including MCFD, has been working, through the Contract Council, to determine improved corporate contract management training. They will be making recommendations for training in this area to the Council in June. Improved training will still need to be developed. Ministry of Attorney General, in association with the Justice Institute, has been developing computer based training to go beyond the theory and develop skills. This was designed to be adaptable to all ministries, and will be examined by MCFD, beginning on May 22, 2002.

April 2002: Ministry of Children and Family Development Action Plan in response to the Office of the Auditor General of BC Report on Management Consulting Engagements In Government

Rpt. Ref.	Recommendation	Ministry Response	**Action(s) Completed** (including date initiated)	**Action(s) Planned** (including proposed implementation date)
			Contract Reform Information Session: (1 day, MCFD, 20 employees plus many contractors) *Contract Reform Training:* (3 days, MCFD, 23 employees plus many contractors) Plus workshops with Purch Comm & legal counsel.	
2	Ministries should encourage the use of bidders' lists that are established through an openly advertised means.	The ministry is requiring the use of bidders' lists established through openly advertised means	Directive discussing this were issued May 14, 2001 and March 22, 2002. BCBid records over FY 2001 & 2002 show frequent use (59 "opportunities" in fy 2001; 61 in 2002). In FY 2002 there were several "Requests For Qualification." Training and workshops described above include this topic.	
3	Ministries should establish adequate systems for ensuring that relevant contract documentation is maintained.	Ministry employees at all levels have been directed to adhere to the government record management policies and procedures to ensure all relevant contract documentation are maintained. Related training has been provided	MCFD has distributed directives to ministry executives and managers working with contracts. Documentation discussed in directives March 29, 2001, May 14, 2001 and March 22, 2002 Training and workshops described above include discussions of documentation requirements. Documentation must accompany the contract approval form CF 2511 for consideration by ADM.	

April 2002: Ministry of Children and Family Development Action Plan in response to the Office of the Auditor General of BC Report on Management Consulting Engagements In Government

Rpt. Ref.	Recommendation	Ministry Response	**Action(s) Completed** (including date initiated)	**Action(s) Planned** (including proposed implementation date)
4	Government should review the $25,000 threshold and the rules surrounding the exceptions to competitive awarding, to assess whether they lead to best value and represent a reasonable balance between administrative efficiency and fairness.	The ministry supports the review of government rules surrounding the exceptions to competitive tendering from $25,000 to $50,000. The ministry recommends this amount as being a reasonable balance between administrative efficiency and fairness.	**MFCR Responsibility**	**MFCR Responsibility** To be determined in consultation with the OCG.
5	Government should ensure that a number of direct award contracts are randomly audited each year, to check that these contracts are being awarded according to government policy.	The ministry supports the recommendation that government review a random audit of a number of direct award contracts of ministries each year to ensure awards are in compliance with gov't policy	**MFCR Responsibility**	**MFCR Responsibility** To be determined in consultation with the OCG.
6	Government should annually report all service contracts for amounts greater than the competitive award threshold, including information about the purpose of the contract, the contractor name, the size of the contract and the awarding method.	The ministry has recommended to the Purchasing Commission and Office of the Comptroller General that all significant service contracts be posted on the Internet each year	**MFCR Responsibility**	**MFCR Responsibility** To be determined in consultation with the OCG. MCFD is the lead ministry in developing an electronic Fill and Route approval form that will provide a detailed database enabling this reporting.

April 2002: Ministry of Children and Family Development Action Plan in response to the Office of the Auditor General of BC Report on Management Consulting Engagements In Government

Rpt. Ref.	Recommendation	Ministry Response	Action(s) Completed (including date initiated)	Action(s) Planned (including proposed implementation date)
				Implementation expected June 2002 MCFD is has been a key participant, along with MMS, MHR, MCAWS, MED, MAG/SGPS, in the Cross Government CMIS Working Group, towards a Corporate Contract Management Information System.
7	Ministries should ensure they adequately assess and document the need for a consulting project before seeking to engage a consultant. For significant projects, this assessment should include a more rigorous analysis and documentation of the costs and benefits.	All ministry staff have been advised to assess and document the need for a consulting project before engaging a consultant	This is contained in the directives issued in May 2001 and March 2002, and is included as part of the training described above. For contracts over $50,000, the business case is required to accompany the CF 2511 contact approval form.	
8	Ministries should ensure their management consulting contracts contain clear terms and conditions, including statements of deliverables and work, and applicable performance standards.	The ministry has conducted numerous contract management workshops, and continues this training, to enable employees craft contracts that contain clear terms and include performance standards in the form of specific outputs and outcomes.	This is a part of the training described above.	

April 2002: Ministry of Children and Family Development Action Plan in response to the Office of the Auditor General of BC Report on Management Consulting Engagements In Government

Rpt. Ref.	Recommendation	Ministry Response	Action(s) Completed (including date initiated)	Action(s) Planned (including proposed implementation date)
9	Ministries should ensure contract amendments are in the best interest of the government and are not a result of poor planning or an attempt to avoid competitively awarding contracts.	All contracts that require amendment must be approved via the ministry contract pre-approval form.	April 2000, issued a directive re: contract pre-approvals, which also covered contract amendments. Until March 2002, the contract approval form required DM approval. March 25, 2002, the process was streamlined to require only ADM approval. This is a part of the training described above.	
10	Ministries should ensure services under a contract do not begin until all required approvals are obtained and the contract is finalized.	The ministry has conducted numerous contract management workshops, and continues this training, to ensure services do not begin until all required approvals are obtained and the contract is finalized.	This is regularly contained in various directives, e.g. March 25, 2002 and part of Contract Approval process. The training described above is continuing for all levels of employees and contains this information.	
11	Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.	The Operational Review and Audit Section of FDSSB will be responsible to follow up and ensure that management consultant recommendations have been accepted and plan for implementation.	The Contract Evaluation Form CF0411 was issued in a directive May 14, 2001. Now available on the Ministry web-site as a Fill and Print form, it requires information on the implementation action plan for the recommendations.	More detailed examinations of the implementation status will be part of Performance Plan for Operational Review and Audit Section of FDSSB.

April 2002: Ministry of Children and Family Development Action Plan in response to the Office of the Auditor General of BC Report on Management Consulting Engagements In Government

Rpt. Ref.	**Recommendation**	**Ministry Response**	**Action(s) Completed** (including date initiated)	**Action(s) Planned** (including proposed implementation date)
12	Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.	The ministry has developed and implemented a Contract Evaluation Checklist to ensure that all contracts have been appraised as to performance and value for money. In addition, all significant contracts will require a cost and benefit or similar type of analysis once they are completed.	A directive March 22, 2002 requires all Ministry Spending Authorities to complete evaluations of the results of all completed management consulting engagements over $25,000 and forward the evaluation to Financial Planning Section.	Reports on Contract Evaluations will be included in monthly reports by Financial and Decision Support Services Branch to ADM Corporate Services. The Contract Evaluation Checklist may be enhanced as a Fill and Route information form. (No dates available, existing form is still under trial). The Database developed out of the Fill and Print Contract Approval form (CF2511) and new Fill and Route Approval form will assist in setting contract evaluation priorities.

Ministry of Competition, Science and Enterprise and Ministry of Energy and Mines
SUMMARY OF STATUS OF IMPLEMENTATION BY RECOMMENDATION
2000/01 Report 4: Management Consulting Engagements in Government
As at April 30, 2002

Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	Not Applicable
Part I: Is the process of awarding management consulting contracts fair and open?					
1. Ministries should ensure staff are aware of, and follow, government policy for awarding service contracts. This could be done by ensuring staff are aware of the expert assistance, information sources and training opportunities available to them and through the use of a contract information sheet when documenting the awarding of a contract. This sheet should include a checklist composed of all government policy relating to (1) the exceptions to competitive awarding and (2) the notice of intent requirements, and should require the contract manager to describe how the chosen criterion has been met.		✓			
2. Ministries should encourage the use of bidders' lists that are established through an openly advertised means.	✓				
3. Ministries should establish adequate systems for ensuring that relevant contract documentation is maintained.			✓		
4. Government should review the $25,000 threshold and the rules surrounding the exceptions to competitive awarding, to assess whether they lead to best value and represent a reasonable balance between administrative efficiency and fairness.					✓
5. Government should ensure that a number of direct award contracts are randomly audited each year, to check that these contracts are being awarded according to government policy.					✓

Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	Not Applicable
6. Government should annually report all service contracts for amounts greater than the competitive award threshold, including information about the purpose of the contract, the contractor name, the size of the contract and the awarding method.					✓
Part II: Is the use of management consulting engagements providing value? 7. Ministries should ensure they adequately assess and document the need for a consulting project before seeking to engage a consultant. For significant projects, this assessment should include a more rigorous analysis and documentation of the costs and benefits.			✓		
8. Ministries should ensure their management consulting contracts contain clear terms and conditions, including statements of deliverables and work, and applicable performance standards.	✓				
9. Ministries should ensure contract amendments are in the best interest of the government and are not a result of poor planning or an attempt to avoid competitively awarding contracts.		✓			
10. Ministries should ensure services under a contract do not begin until all required approvals are obtained and the contract is finalized.	✓				
11. Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.			✓		
12. Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.			✓		

Progress on Implementing the Recommendations on 2000/01 Report 4: Management Consulting Engagements in Government As at April 30, 2002 Ministry of Competition, Science and Enterprise and Ministry of Energy and Mines

Subsequent to the Public Accounts Committee discussion, an e-mail was sent to all staff regarding contracts. Recommendation #7 (assessing the need for a contract in the first place) is adequately covered in the ministry contract manual which is available to all staff on our ministry intranet site and was in existence at the time of the audit. This manual covers the full contracting process including such items as competitive bidding, employer-employee relationships, contract file content including reference to usually releasable information under FOI, dealing with contractors, and performance evaluation. This Intranet site also has links to the Treasury Board / OCG family of policy and procedures manuals so they are also available to all staff.

Part I: Is the process of awarding management consulting contracts fair and open?

1. *Ministries should ensure staff are aware of, and follow, government policy for awarding service contracts. This could be done by ensuring staff are aware of the expert assistance, information sources and training opportunities available to them and through the use of a contract information sheet when documenting the awarding of a contract. This sheet should include a checklist composed of all government policy relating to (1) the exceptions to competitive awarding and (2) the notice of intent requirements, and should require the contract manager to describe how the chosen criterion has been met.*

   The ministry maintains its own contract manual which contained this type of checklist at the time of audit. The checklist was amended to more accurately reflect government policy. Through e-mail and other mechanisms, the Ministry has made several efforts to remind staff of their responsibility to follow government contract policy.

2. *Ministries should encourage the use of bidders' lists that are established through an openly advertised means.*

   The ministry maintains its own contract manual which encouraged the use of bidders' lists at the time of audit, and continues to encourage the use of bidders' lists. An e-mail was sent on January 23, 2001 as a reminder to all staff to address this and other recommendations.

3. *Ministries should establish adequate systems for ensuring that relevant contract documentation is maintained.*

   Ministry records management staff will include a random review of contract files when reviewing all management of all records maintained for ministry programs. The ministry has not planned any reviews.

4. *Government should review the $25,000 threshold and the rules surrounding the exceptions to competitive awarding, to assess whether they lead to best value and represent a reasonable balance between administrative efficiency and fairness.*

   Ministry complies with current policy. A government Procurement Committee is considering change in this threshold.

5. *Government should ensure that a number of direct award contracts are randomly audited each year, to check that these contracts are being awarded according to government policy.*

   The ministry does not have an internal audit function. We expect this would be included in the audit programs of the Internal Audit Branch, OCG and/or the Office of the Auditor General.

6. *Government should annually report all service contracts for amounts greater than the competitive award threshold, including information about the purpose of the contract, the contractor name, the size of the contract and the awarding method.*

   The ministry has not taken any specific action on this recommendation since it appears to be a government-wide issue. We are awaiting policy and direction from the Office of the Comptroller General and/or Treasury Board.

Part II: Is the use of management consulting engagements providing value?

7. *Ministries should ensure they adequately assess and document the need for a consulting project before seeking to engage a consultant. For significant projects, this assessment should include a more rigorous analysis and documentation of the costs and benefits.*

   This is included in ministry contracting manual that existed at the time of the audit.

8. *Ministries should ensure their management consulting contracts contain clear terms and conditions, including statements of deliverables and work, and applicable performance standards.*

    The ministry maintains its own contract manual which addressed this issue at the time of audit. An e-mail was sent on January 23, 2001 to remind all staff to address this and other recommendations. Ministry Financial Services staff vette proposed contracts and try to resolve vagaries in describing services and deliverables.

9. *Ministries should ensure contract amendments are in the best interest of the government and are not a result of poor planning or an attempt to avoid competitively awarding contracts.*

    The ministry maintains its own contract manual which addressed this issue at the time of audit. An e-mail was sent on January 23, 2001 to remind all staff to address this and other recommendations.

10. *Ministries should ensure services under a contract do not begin until all required approvals are obtained and the contract is finalized.*

    Instructions have been issued. Occasional exceptions must be accompanied with an explanatory memo to the Deputy Minister.

11. *Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.*

    Instructions have been issued to contract managers. We have not undertaken a cross -ministry review since the OAG report in part because this report is quite recent.

12. *Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.*

    This will be highlighted in annual memo to staff.

SUMMARY OF STATUS OF IMPLEMENTATION BY RECOMMENDATION
The Ministry of Forests
2000/01 Report 4: Management Consulting Engagements in Government
As at April 30, 2002
Implementation Status

Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	Not Applicable
Part I: Is the process of awarding management consulting contracts fair and open?					
1. Ministries should ensure staff are aware of, and follow, government policy for awarding service contracts. This could be done by ensuring staff are aware of the expert assistance, information sources and training opportunities available to them and through the use of a contract information sheet when documenting the awarding of a contract. This sheet should include a checklist composed of all government policy relating to (1) the exceptions to competitive awarding and (2) the notice of intent requirements, and should require the contract manager to describe how the chosen criterion has been met.	Awareness ✓	Compliance ✓			
2. Ministries should encourage the use of bidders' lists that are established through an openly advertised means.	Direction ✓				
3. Ministries should establish adequate systems for ensuring that relevant contract documentation is maintained.	Direction ✓				
4. Government should review the $25,000 threshold and the rules surrounding the exceptions to competitive awarding, to assess whether they lead to best value and represent a reasonable balance between administrative efficiency and fairness.					✓
5. Government should ensure that a number of direct award contracts are randomly audited each year, to check that these contracts are being awarded according to government policy.					✓

Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	Not Applicable
6. Government should annually report all service contracts for amounts greater than the competitive award threshold, including information about the purpose of the contract, the contractor name, the size of the contract and the awarding method.					✓
Part II: Is the use of management consulting engagements providing value? 7. Ministries should ensure they adequately assess and document the need for a consulting project before seeking to engage a consultant. For significant projects, this assessment should include a more rigorous analysis and documentation of the costs and benefits.	Direction ✓				
8. Ministries should ensure their management consulting contracts contain clear terms and conditions, including statements of deliverables and work, and applicable performance standards.	Direction ✓				
9. Ministries should ensure contract amendments are in the best interest of the government and are not a result of poor planning or an attempt to avoid competitively awarding contracts.	Direction ✓				
10. Ministries should ensure services under a contract do not begin until all required approvals are obtained and the contract is finalized.	Direction ✓				
11. Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.	Direction ✓				
12. Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.	Direction ✓				

PROGRESS ON IMPLEMENTING THE RECOMMENDATIONS ON
2000/01 Report 4: Management Consulting Engagements in Government
MINISTRY OF FORESTS
As at, April 30, 2002

Part I: Is the process of awarding management consulting contracts fair and open?

1. *Ministries should ensure staff are aware of, and follow, government policy for awarding service contracts. This could be done by ensuring staff are aware of the expert assistance, information sources and training opportunities available to them and through the use of a contract information sheet when documenting the awarding of a contract. This sheet should include a checklist composed of all government policy relating to (1) the exceptions to competitive awarding and (2) the notice of intent requirements, and should require the contract manager to describe how the chosen criterion has been met.*

The ministry is continuing to ensure staff are aware of the government's direction of awarding service contracts through policy, procedures and ongoing communication and training. In a decentralized ministry, ensuring staff follow this direction is a line responsibility, which is monitored locally. Compliance with government and ministry policy is determined periodically through audits.

Implementation status:

Staff awareness of government policy—fully implemented.

Compliance with government policy—substantially implemented.

Progress to date:

Awareness:

a) The ministry contract management policy has been available electronically to all staff since December 8, 1997. This policy expands upon central agency policy.

b) *Contract Management Procedures Manual:*

- The ministry *Contract Management Procedures Manual* has been available electronically to ministry staff since 1998 and for many years prior to that in a paper form. Additional chapters continue to be added to the manual and it is maintained on an ongoing basis to ensure it is current.

- *Quick Guide 4* has been updated which outlines conditions permitting the direct invitation notification method.
- The manual contains a contract information checklist which guides contract officers in their contract planning and assists with policy compliance.

c) Contract management experts continue to provide advice and direction to ministry staff for contracting issues on an as required basis.

d) A contract bulletin board system is used to communicate common contracting issues to staff across the ministry.

e) The comptroller general's direction to ensure that service contracts above the $25,000 threshold have a fair and open tendering process and other control measures has been broadly distributed throughout the ministry.

f) Contract management training:

- The ministry co-ordinates with training providers on an ongoing basis to ensure that their training information is current and meets specific ministry training needs.
- Training schedules are posted to the ministry training catalogue.
- Contract management training has been identified as a high priority for the 2002/03 ministry training plan.

g) An action plan to implement procurement reform has been developed and items are currently being worked on.

Compliance:

- Responsibility centre managers continue to be responsible for monitoring contract management activities within their offices.

- A limited number of audits over the last few years has indicated that the ministry is substantially in compliance with government policy for awarding service contracts. Further improvements are required in specific areas.

2. *Ministries should encourage the use of bidders' lists that are established through an openly advertised means.*

   The ministry *Contract Management Policy and Procedures Manual* outlines how bidders lists are to be established through open advertising. Since June 27, 2001, the ministry has used BC Bid to advertise opportunities rather than a ministry specific internet site.

Implementation status:

Direction is fully implemented.

3. *Ministries should establish adequate systems for ensuring that relevant contract documentation is maintained.*

   The requirement for maintaining ministry contract documentation is outlined in ministry contract management policy and procedures.

Implementation status:

Direction is fully implemented.

4. *Government should review the $25,000 threshold and the rules surrounding the exceptions to competitive awarding, to assess whether they lead to best value and represent a reasonable balance between administrative efficiency and fairness.*

The OCG and Purchasing Commission will respond to this recommendation.

5. *Government should ensure that a number of direct award contracts are randomly audited each year, to check that these contracts are being awarded according to government policy.*

The OCG and Purchasing Commission will respond to this recommendation.

6. *Government should annually report all service contracts for amounts greater than the competitive award threshold, including information about the purpose of the contract, the contractor name, the size of the contract and the awarding method.*

The OCG and Purchasing Commission will respond to this recommendation.

Part II: Is the use of management consulting engagements providing value?

7. *Ministries should ensure they adequately assess and document the need for a consulting project before seeking to engage a consultant. For significant projects, this assessment should include a more rigorous analysis and documentation of the costs and benefits.*

The ministry *Contract Management Procedures Manual* documents the process contract officers should follow to assess and document the need for a project prior to proceeding to engage a consultant.

Implementation status:

Direction is fully implemented.

8. Ministries should ensure their management consulting contracts contain clear terms and conditions, including statements of deliverables and work, and applicable performance standards.

The ministry *Contract Management Procedures Manual* documents the preparation of standard ministry contracts including the terms and conditions of deliverables and performance standards.

Implementation status:

Direction has been fully implemented.

9. *Ministries should ensure contract amendments are in the best interest of the government and are not a result of poor planning or an attempt to avoid competitively awarding contracts.*

Ministry contract management procedures provide direction on contract planning to ensure that contract amendments are only used in appropriate situations.

Implementation status:

Direction has been fully implemented.

10. *Ministries should ensure services under a contract do not begin until all required approvals are obtained and the contract is finalized.*

Ministry policy and procedures require all approvals to be obtained and the contract to be finalized prior to any services beginning under a contract.

Implementation status:

Direction has been fully implemented.

11. *Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.*

The ministry *Contract Management Procedures Manual* and *Contract Completion Certificate* have been updated to reflect the requirement to create and monitor action plans for implementing management consultant recommendations they have reviewed and accepted where the significance of the issues involved warrants it.

Implementation status:

Direction has been fully implemented.

12. *Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.*

It is the policy of the ministry that all contracts over $50,000 must have a post completion evaluation to provide a record of the contractor's performance and to assist in future contracting.

Implementation status:

Direction has been fully implemented.

SUMMARY OF STATUS OF IMPLEMENTATION BY RECOMMENDATION
MINISTRIES OF HEALTH PLANNING AND SERVICES
2000/01 Report 4: Management Consulting Engagements in Government
As at April 30, 2002

Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	Not Applicable
Part I: Is the process of awarding management consulting contracts fair and open? 1. Ministries should ensure staff are aware of, and follow, government policy for awarding service contracts. This could be done by ensuring staff are aware of the expert assistance, information sources and training opportunities available to them and through the use of a contract information sheet when documenting the awarding of a contract. This sheet should include a checklist composed of all government policy relating to (1) the exceptions to competitive awarding and (2) the notice of intent requirements, and should require the contract manager to describe how the chosen criterion has been met.	✓				
2. Ministries should encourage the use of bidders' lists that are established through an openly advertised means.				✓	
3. Ministries should establish adequate systems for ensuring that relevant contract documentation is maintained.	✓				
4. Government should review the $25,000 threshold and the rules surrounding the exceptions to competitive awarding, to assess whether they lead to best value and represent a reasonable balance between administrative efficiency and fairness.					✓
5. Government should ensure that a number of direct award contracts are randomly audited each year, to check that these contracts are being awarded according to government policy.					✓

Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	Not Applicable
6. Government should annually report all service contracts for amounts greater than the competitive award threshold, including information about the purpose of the contract, the contractor name, the size of the contract and the awarding method.					✓
Part II: Is the use of management consulting engagements providing value? 7. Ministries should ensure they adequately assess and document the need for a consulting project before seeking to engage a consultant. For significant projects, this assessment should include a more rigorous analysis and documentation of the costs and benefits.		✓			
8. Ministries should ensure their management consulting contracts contain clear terms and conditions, including statements of deliverables and work, and applicable performance standards.	✓				
9. Ministries should ensure contract amendments are in the best interest of the government and are not a result of poor planning or an attempt to avoid competitively awarding contracts.	✓				
10. Ministries should ensure services under a contract do not begin until all required approvals are obtained and the contract is finalized.		✓			
11. Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.	✓				
12. Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.	✓				

Office of the Auditor General Report on Management Consulting Contracts: Ministries of Health Planning and Services Response to April 2002 request for Implementation Status and Documentation

The Major changes which have occurred for the Health Ministries include a shift in emphasis in the policies and review of contracts submitted for approval. Specifics are noted below. Activity to date is focusing on education.

Follow up and continuing education continues for the program areas.

Summary of Ministry Responses

Rec. Num.	Ministry Response	Actions Taken
1	A distribution list has been created to advise contract managers on policy changes, current issues and to share best practices in contract management, including suggestions for improved control.	A distribution list has been created to advise contract managers on policy changes, current issues and to share best practices in contract management, including suggestions for improved control. In addition, two training courses are offered and attendance has increased. One course, Nuts and bolts, is aimed at clerical support; the 2-day course is aimed at contract administrators.
1	The contract information slip that the ministry currently uses to document the method of tendering will be amended to include more detailed information.	The Contract Information Slip was amended to request details on contract selection, including copies of the tendering document, winning proposal and evaluation summary. A tick box method to indicate directed contract exemptions was not implemented. It was felt that boxes would be ticked without much thought behind the justification. Instead, the form requests a description of how the directed contract meets the criteria for direct awarding as per GMOP Ch. 6.3.2
2	The Ministry has determined that bidders lists are administratively intensive to maintain, requiring ongoing updates for contact information. A more practical solution will be implemented. Ministry policy will be changed to require the use of an Invitation to Quote and BC Bid process for advertising and posting its management consulting.	Ministry policy was updated June 2001 contracts recommending the use of ITQ and BC Bid. Section 8.02
3	Updated ministry policy will require documents related to the contract management process to be held centrally. Specifically, related to the bid evaluation, the successful proposal and Invitation to Quote or Notice of Intent.	DONE - email to Contract distribution list sent March 2001, policy updated June 2001. Contract Information Slip amended and reminder email sent out November 2001.

Rec. Num.	Ministry Response	Actions Taken
4	Review by Ministry of Finance and Corporate Relations and discussion by cross-ministry working group is required. The Ministry encourages program areas to use public tendering for all projects where possible.	Not applicable.
5	The Ministry supports audits from central agencies to ensure ongoing compliance with policy.	Not applicable.
6	This is an issue for central agencies to decide on in consultation with ministries. From the Ministry's point of view this would be easy to accommodate within the current contract management system.	Not applicable.
7	The Ministry will continue to document the need for using a consultant for all contracts. For those significant management consulting contracts (over $50,000), policy will be modified requiring a business case accompany the contract prior to approval.	Email to Contract distribution list sent March 2001 and policy updated June 2001
8	The Ministry will ensure schedules to contracts are written in a more concrete fashion prior to granting approval through its financial services area.	Internal procedures in place for reviewing in detail schedules on all types of contracts. In addition two training courses are offered and attendance has increased. One course, Nuts and bolts, is aimed at clerical support; the 2-day course is aimed at contract administrators.
9	Contracts will be monitored prior to approval for strong justification of extensions or amendments.	Amended Contract Information Slip was edited in July 20 01 to request a description of implications if amendment was not approved.
10	The Ministry has always taken this position and this will need to be reinforced with program areas, especially areas where new program managers have been hired.	Contract Information Slip was amended in November 2001, Contract Administrator now has to sign certifying that no work will be performed prior to the approval of Financial Services and signing of the contract by the Ministry Signing Authority prior to the contract being sent for approval.
11	Program areas will be reminded of their responsibility for tracking the implementation status of management consulting report recommendations.	Email to Contract distribution list sent March 2001 and policy updated June 2001. Monthly mail outs of post evaluation reports are sent to contract administrators for completion; these reports are BF'd for follow up. For management consulting contracts a special section is added regarding a cost benefit analysis.

Rec. Num.	Ministry Response	Actions Taken
12	Contract Management will revise the post evaluation report to require completion of a cost benefit analysis.	Email to Contract distribution list sent March 2001, policy updated June 2001 and post evaluation report form updated to request cost benefit analysis when applicable. Monthly mail outs of post evaluation reports are sent to contract administrators for completion; these reports are BF'd for follow up

Appendix

Timetable of Reports Issued and Public Accounts Committee Meetings on Management Consulting Engagements in Government

March 2001	Office of the Auditor General issues 2000/2001 Report 4: *Management Consulting Engagements in Government*. The report included 12 recommendations.
December 2001	The Select Standing Committee on Public Accounts reviews our report.
February 2002	The Select Standing Committee on Public Accounts reports to the Legislative Assembly on its review of the report.
June 2002	Office of the Auditor General issues its first follow-up report on *Management Consulting Engagements in Government*.

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Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee on Public Accounts regarding the follow-up of recommendations in

1998/1999 Report 2:

Ministry of Health and Ministry Responsible for Seniors: Pharmacare Branch

Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use

July 2002

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

We have carried out a follow-up review of the implementation of the recommendations in our 1998/1999 Report 2: Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use and enclose the following:

- My opinion on the status provided by management
- A Summary of the original report showing the audit purpose, scope and overall conclusion
- A Summary of the status of recommendations
- Management's representations on the status of recommendations
- Timetable of Reports Issued and Public Accounts Committee Meetings on 1998/1999 Report 2: Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use.

Since there are still four significant recommendations that have not been fully implemented, we will carry out a follow-up in about six month's time and report to the committee after completion of our review.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

July 2002

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our follow-up of our recommendations from our 1998/1999 Report 2: Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use.

Information as to the status of the recommendations was provided to us by the Ministry of Health Services Pharmacare Branch. We reviewed this response in June 2002.

We have reviewed the representations provided by the Ministry of Health Services Pharmacare Branch regarding progress in implementing the recommendations. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the Status Report on Implementation of the Auditor General's recommendations does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our 1998/1999 Report 2: Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

July 2002

Summary of Original Report on Pharmacare: Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use

Audit Purpose and Scope

The purpose of the audit was to assess whether the ministry adequately manages the cost of prescription drug therapies provided under Pharmacare and whether it fosters appropriate drug use. To do this, we examined the processes used by the ministry to:

- decide which drugs to cover;
- foster appropriate drug use;
- ensure cost-effective drug therapies;
- pay the right price for drugs dispensed; and
- evaluate and report program results.

We did not look at the payment of dispensing fees to pharmacists or the issue of "ability to pay" by those receiving benefits. In addition, we did not focus on the broad issue of illegal drug abuse, but did include initiatives aimed at preventing drug fraud and the inappropriate use of prescription drugs. Finally, we did not review the issue of alternatives to drug therapies.

Overall Conclusion

We concluded that the Ministry of Health and Ministry Responsible for Seniors is adequately managing the cost of drug therapies, although it could do more to foster appropriate drug use.

The ministry has an independent drug review process that ensures new drugs are provided as Pharmacare benefits only if they provide good value for money and is developing a new process to identify existing drugs that are no longer cost-effective. It also has programs in place to ensure that cost-effective drugs are prescribed and drug waste is reduced. The PharmaNet system, for example, is used to prevent and detect drug fraud and abuse and to reduce duplication of medications. Finally, the ministry ensures that it pays reasonable prices for drugs dispensed by pharmacies, although, additional assurance would be obtained if the ministry carried out audits of community pharmacies. The ministry is currently developing such a program.

The ministry supports several programs aimed at informing physicians, pharmacists and patients about appropriate drug use. However, to further foster appropriate drug use, the ministry needs to:

- encourage the medical and pharmacy professions to investigate the extent of, and reasons for, patient non-compliance with drug therapies and ensure that programs exist to address these issues;
- ensure it receives accountability information from all agencies funded by the ministry to provide programs that foster appropriate drug use;
- include in patient profiles on the PharmaNet system those prescription drugs received by patients from sources other than community pharmacies; and

. . . continued

Continued . . .

- encourage more extensive use of the information in the PharmaNet system, to foster appropriate drug use.

We also concluded that the ministry needs to evaluate the performance of its major Pharmacare programs using a comprehensive performance evaluation framework and to report the results to key stakeholders. It is particularly important that the Reference Drug Program be independently evaluated to assess its impact on health outcomes and overall health care costs. We were pleased to find that the ministry is supporting the evaluation proposals of several independent researchers.

Summary of Status of Recommendations

Managing the Costs of Drug Therapies and Fostering Appropriate Drug Use

Original Issue Date: July 1998

Year Followed Up: 2002

Summary of status at February 2002	OAG	PAC	Further Follow-up Required
Total Recommendations	**10**	**1**	**0**
Fully Implemented	5	1	0
Substantially Implemented	1	0	0
Partially Implemented	4	0	4
Alternative Action	0	0	0
No Action	0	0	0

Partially Implemented Recommendations

- Encourage and support the medical and pharmacy professions and the pharmaceutical industry to do more to determine the extent of, and reasons for, patients' non-compliance with drug therapies, so that it can ensure programs exist to address this issue.
- Identify all sources of prescription drugs, other than community pharmacies, and determine whether to include the drug information from these sources in the patient profiles contained in the PharmaNet system.
- Develop a framework of performance indicators that measure the results of its programs for managing the cost of drug therapies and fostering appropriate drug use.
- Periodically measure, evaluate and report to key stakeholders on the performance of its programs for managing the cost of drug therapies and fostering appropriate drug use.

Response from Ministry of Health Services Pharmacare Branch

February 2002 Progress Report

The Office of the Auditor General of British Columbia audited the Pharmacare Program, Ministry of Health Services. The purpose of the audit was to assess whether the ministry adequately manages the cost of prescription drug therapies provided under Pharmacare and whether it fosters appropriate drug use. The audit recommendations were compiled in *1998/99: Report 2, Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use*. In response to this Bob Nakagawa and Anne McFarlane appeared as witnesses, in front of the Select Standing Committee on Public Accounts, on December 1, 1998 and April 27, 1999.

Status of recommendations is as follows: 6 recommendations fully implemented; one recommendation substantially implemented and four recommendations partially implemented. Please see table for detailed status report.

Status of Implementation by Recommendation

Original Report Title: Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use
Original Issue Date: July 1998
Date Followed Up: February 2002

Note: items that are indicated as "Fully Implemented" are those items in which significant efforts have been made to address the item. It does not imply that there cannot be further work conducted in the area, however Pharmacare has operationalized these efforts into permanent changes in relationships with stakeholders and business partners to support on-going endeavours.

Recommendations	Implementation Status				
Current Status	Fully	Substantially	Partially	Alternative Action	No Action
Deciding Which Drugs to Cover 1. The ministry should review all currently listed drugs periodically to ensure they continue to provide good value for money. ▪ The Formulary Review Subcommittee began operations in 2000.	✓				
Fostering Appropriate Drug Use The ministry should:					
2. Obtain appropriate and timely information from organizations receiving ministry funding to provide programs fostering appropriate drug use that describes the activities carried out and the accomplishments achieved. ▪ TI & CDUP annual report is requirement of contract ▪ NS CDUP evaluation in progress ▪ PI contract reviewed and terminated ▪ PRP contract reviewed and terminated ▪ BC SMILE reviewed and terminated	✓				
3. Encourage and support the medical and pharmacy professions and the pharmaceutical industry to do more to determine the extent of, and reasons for, patient non-compliance with drug therapies so that it can ensure programs exist to address this issue. ▪ TI physician education ▪ CDUP academic detailing information to GPs ▪ BC SMILE provides free information to the public ▪ Maximum Days Supply and Trial Prescription Program			✓		

Recommendations	Implementation Status				
Current Status	Fully	Substantially	Partially	Alternative Action	No Action
Fostering Appropriate Drug Use The ministry should: 4. Implement the recommendations of the PharmaNet Benefits Analysis Workshop that call for the information now collected by the PharmaNet system to be used to evaluate the effects of health policies already implemented and to develop policies to promote appropriate drug use. ▪ Health Transition Fund projects completed ▪ On-going work of academic researchers using PharmaNet data ▪ Investigation into using PharmaNet data in notifying doctors of a drug recall		✓			
5. Identify all sources of prescription drugs, other than community pharmacies, and determine whether to include the drug information from these sources in the patient profiles contained in the PharmaNet systems. ▪ pilot project with PharmaNet in hospitals ▪ pilot project with PharmaNet in doctors' offices ▪ New College of Pharmacists regulations require all outpatient prescriptions to be transmitted to the PharmaNet. ▪ No plans for hospital or AIDS/HIV prescriptions to be transmitted to the PharmaNet, due to system feasibility and privacy issues.			✓		
Ensuring Cost-Effective Drug Therapies The ministry should: 6. Encourage independent reviews of the Reference Drug Program and report the results to key stakeholders. ▪ Academic reviews on RDP have been published or are scheduled for publication ▪ Reference Drug panel initiated and is meeting with stakeholders	✓				

Recommendations	Implementation Status				
Current Status	Fully	Substantially	Partially	Alternative Action	No Action
Ensuring Cost-Effective Drug Therapies (continued) 7. Consider expanding the Trial Prescription Program to help minimize drug waste. ▪ evaluation under way on the documentation ▪ pharmacist survey developed ▪ cost/benefit analysis conducted internally ▪ pharmacist survey on the Trial Prescription program conducted and responses summarized ▪ On-going work with the BC Pharmacists Association to improve the workings of the Trial Prescription Program.	✓				
Paying the Right Price for Drugs Dispensed 8. The ministry should conduct field audits for pharmacies to ensure that it pays the right amounts for drugs dispensed. ▪ Audit group in place, audits occurring regularly	✓				
Evaluating and Reporting Program Results The ministry should: 9. Develop a framework of performance indicators that measure the results of its programs for managing the cost of drug therapies and fostering appropriate drug use. ▪ Commissioned a study to determine the effectiveness of the special authority process ▪ Published Pharmacare Trends 2000 ▪ Produce Monthly Management reports ▪ Produce Quarterly Management reports ▪ Ad-hoc reports examine the realization of policy changes toward objectives.			✓		

Recommendations	Implementation Status				
Current Status	Fully	Substantially	Partially	Alternative Action	No Action
Evaluating and Reporting Program Results (continued) 10. Periodically measure, evaluate and report to key stakeholders on the performance of its programs for managing the cost of drug therapies and fostering appropriate drug use. ▪ Semi-annual forums for drug industry representatives ▪ Publishing Pharmacare Trends document ▪ Regular meetings with the BCMA Pharmacy and Therapeutics Committee			✓		
Recommendation made by the Select Standing Committee on Public Accounts Your Committee recommends that the Ministry examine methods of providing public access to information regarding drugs covered by the Pharmacare program. ▪ Pharmacare's website provides information on program policies and processes. ▪ web site improvements including publishing Special Authority criteria for each "Limited Coverage" drug.	✓				

Response from Ministry of Health Services Pharmacare Branch (continued)

Deciding which Drug to Cover

Recommendation #1
Fully Implemented

- **The ministry should review all currently listed drugs periodically to ensure they continue to provide good value for money.**

The Formulary Review Subcommittee (FRS) was initiated and began operation in 2000. The mandate of the FRS is to review the formulary and make suggestions to the Drug Benefit Committee (DBC) for the addition and deletion of drugs to ensure the availability of cost effective, contemporary drug therapy. The FRS systematically reviews therapeutic classes and individual drugs on the formulary as identified by the DBC, Pharmacare staff or the Executive Director of Pharmacare.

As part of this on-going FRS process, Pharmacare de-listed drugs on November 19, 2001 by applying the same requirement for scientific evidence on efficacy and cost effectiveness that are used for new drugs[1]:

- Anabolic Steroids
- Flavoxate
- Growth Hormones for Adults
- Nasal Corticosteroids
- Topical Anti-fungal Skin Preparations
- Oral Vancomycin

It was estimated that these de-listings would result in yearly savings to Pharmacare of $1.2 million.[2]

Fostering Appropriate Drug Use

Recommendation #2
Fully Implemented

The Ministry should:

- **Obtain appropriate and timely information from organizations receiving ministry funding to provide programs fostering appropriate drug use that describes the activities carried out and the accomplishments achieved.**

The Ministry has provided funding to various organizations in order to encourage appropriate drug use. These organizations include the Therapeutics Initiative (TI), Pharmacoeconomics Initiative (PI), the Prescription Review

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[1] See Pharmacare Newsletter for Oct, 2001: http://www.healthservices.gov.bc.ca/pharme/newsletter/01012news.pdf

[2] See Pharmacare Briefing Note 346248. This does not include $3 million annual savings from changing reimbursement policy on blood glucose test strips.

Program (PRP) operated by the College of Physicians and Surgeons of BC, the North Shore Health Region Community Drug Utilization Program (CDUP) and medical groups organizing conferences with respect to caring for specific patient groups.

The contracts for the TI, the North Shore CDUP and the PRP each requires an annual report be produced and submitted within a specified period of time. This allows Pharmacare to ensure that the report is received in a timely manner.

CDUP has reviewed its program's effectiveness, and the resulting report was forwarded onto the ministry. After analyzing the program statistically, the CDUP concluded that their program is cost effective. This report is available on request.

As a result of its 2001/2002 budget review, Pharmacare investigated value-added benefits of all current contracts. It was found that there was insufficient benefit from the PI as it relates to effectively contributing to Pharmacare's drug review process. It was concluded that the science of pharmacoeconomics is valuable to Pharmacare but that this service was not being adequately provided through this contract.

In addition, the national efforts currently being put forth by the Federal, Provincial and Territorial (F/P/T) governments toward the the establishment of a national Common Drug Review, will lessen the need for both the PI and the TI.

As a result, Pharmacare's contract with the Pharmacoeconomics Initiative was terminated, effective January 31, 2002.

Similarly, Pharmacare reviewed the value added by the Prescription Review Program (PRP) operated by the College of Physicians and Surgeons of BC. It was determined that, while the College has met their contractual arrangement by providing an annual report on their PRP activities, the information was not sufficiently detailed to allow Pharmacare to effectively assess the value of the program and meet the stated recommendations of the Auditor General. As a result, this PRP contract was also terminated, effective January 31, 2002.

Recommendation #3
Partially Implemented

- **Encourage and support the medical and pharmacy professions and the pharmaceutical industry to do more to determine the extent of, and reasons for, patients' non-compliance with drug therapies, so that it can ensure programs exist to address this issue.**

Patient compliance occurs when the patient takes the medication as per the instructions of the prescription. Pharmacare, via the PharmaNet database does not have access to this type of information and cannot, therefore monitor compliance. Pharmacare does, however, encourage drug manufacturers to promote and study this type of compliance. For example, Pharmacare has agreed to participate in a study sponsored by AstraZenica on the role of pharmacists to monitor drug regimes in long-term care facilities.

A number of programs that have been supported by Pharmacare are designed to assist patients, physicians and pharmacists in maximizing the value of drug therapy: the TI physician education initiatives; the CDUP academic detailing provides information to general practitioners regarding the benefits and uses of new drugs; and the Services for Medication Information, Learning and Education (SMILE) provides free information to the general public regarding medications. BC SMILE is no longer being funded by Pharmacare due to budget restrictions but we are encouraging alternative funding sources, namely pharmaceutical manufacturers, to continue and expand their level of funding.

The "Maximum Days Supply" policy of Pharmacare, which limits the supply of most prescription drugs to 30 days, and the "Trial Prescription" program, which provides small quantities of prescription drugs to first-time users without charging the associated dispensing fee, also encourage patient compliance and consumer education.

Pharmacare has not had and likely will not have the resources to pursue additional initiatives to address compliance since these are resource-intensive projects.

However, Pharmacare does encourage external agencies, such as drug manufacturers, to pursue these initiatives via confidential risk sharing agreements. In this way, Pharmacare may influence marketing techniques toward appropriate prescribing. Since these risk sharing agreements are highly confidential, confirmation of these efforts will need to be shown via on-site evidence.

In addition, BC Pharmacare's participation in the Federal/Provincial/Territorial "Pharmaceutical Issues Committee" provides an opportunity to become aware of compliance initiatives in other provinces that are successful.

Recommendation #4

Substantially Implemented

- **Implement the recommendations of the PharmaNet Benefit Analysis Workshop that call for the information now collected by the PharmaNet system to be used to evaluate the effects of health policies already implemented and to develop policies to promote appropriate drug use.**

Access to the PharmaNet database is controlled by the College of Pharmacists of B.C. Pharmacare, working with the College, has reviewed the observations and recommendations of the PharmaNet Benefits Analysis Workshop and determined strategies to implement the recommendations.

Currently the data contained in the PharmaNet system establishes baseline information for further research in various medical areas. Through the data linkage group at the University of British Columbia, Pharmacare is able to link prescription data with other health-related data in order to determine whether or not drug utilization affects subsequent utilization of other areas of the health system, such as hospital services.

Both PharmaNet and Pharmacare databases are accessed frequently by researchers. All requests for access are carefully scrutinized for compliance with privacy protection requirements. As well the Ministry is working with Health Canada on a national Health Transition Fund initiative to examine the feasibility of a national approach to prescription drug information, for analysis of drug costs and utilization, as well as patient health outcomes. Pharmacare routinely supports the availability of PharmaNet system resources for academic researchers. Pharmacare has, on file, information regarding such supported projects.

One Health Transition Fund project (1999/2000) used the PharmaNet to signal pharmacists to intervene with asthma education when people filled their first asthma medication.[3]

Further, in implementing the de-listing of nebulized asthma medications (January 5, 1999), the Ministry and academic researchers conducted a randomized control trial to test whether the policy had adverse effects on patient health.[4]

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[3] The contact for this study is Norm Thomas or Malcolm Maclure, ministry researcher

[4] The contact for this study is Malcolm Maclure, ministry researcher

As a result of a recent drug recall from Bayer, Pharmacare has initiated work with the College of Physicians and Surgeons of British Columbia, the College of Pharmacists of British Columbia to investigate ways in which doctors may be quickly notified that their patients were prescribed a drug that was recalled by the manufacturer.

Recommendation #5
Partially Implemented

- **Identify all sources of prescription drugs, other than community pharmacies, and determine whether to include the drug information from these sources in the patient profiles contained in the PharmaNet system.**

Hospital pharmacies dispensing to outpatients can update patient profiles on PharmaNet.

As a result of College of Pharmacist of British Columbia regulations, all outpatient prescriptions (those which are taken into the community rather than kept within an institution) must be transmitted to the PharmaNet system. This ensures medication history and interaction checking may be done with all other medications the patient may be taking in the community.

> *"...effective Sept 30, 1998,... all outpatient prescriptions must be transmitted to PharmaNet effective 30 September 1998." (College of Pharmacists of British Columbia Bulletin, July/August 1998 Vol. 23 no. 4)*

There are no plans to get hospital data or AIDs/HIV data onto PharmaNet at this time due to feasibility and privacy concerns, respectively.

Pharmacare has expanded the PharmaNet system to include hospital emergency department access. This expansion enables emergency department physicians to access complete drug profiles and drug use needs of presenting patients, which in turn facilitates faster assessments of presenting patients' medical status, particularly in cases where the patients cannot recall their prescriptions, or are unable to communicate. A pilot project has been successfully completed in eleven (11) emergency departments, and the system is available to all emergency departments in BC.

The medical practice access pilot begun in 2000 has concluded and is presently in the evaluation stage.

Ensuring Cost-Effective Drug Therapies

Recommendation #6
Fully Implemented

The ministry should:

- **Encourage independent reviews of the Reference Drug Program (RDP) and report the results to key stakeholders.**

As a result of Pharmacare's invitation to academic researchers to evaluate the effects of the Reference Drug Program, the following universities have either published papers or have papers pending publication:

University	Journal/Abstract	Publication Date
University of Washington	Research to date shows no increase in office visits, ER visits or hospitalizations following RDP for gastric acid suppression drugs. A manuscript has been submitted for publication.	Pending acceptance for publication
McMaster University	Canadian Medical Association Journal: "Impact of reference-based pricing of nitrates on the use and costs of anti-anginal drugs." This paper investigates the impacts of drug use after applying RDP to nitrates.	Oct 16, 2001 Papers on impacts on medical services and hospitalizations will be submitted in late 2001.
Harvard University	New England Journal of Medicine: The impact of RDP on drug switching patterns among patients who were on ACE Inhibitors prior to the policy.	Published in New England Journal of Medicine on March 14, 2002.

*More detailed information on the results of the academic studies are available for inspection during on-site visit.

The results of each study indicates that the Reference Drug Program saves Pharmacare money and does not have a measurable effect on health outcomes.

In addition, as part of its commitment to its New Era platform, the new Government initiated an RDP Consultation Panel. This panel was formed for the provincial government to "work with doctors, pharmacists and others to find a cost-effective alternative to reference-based pricing," while reviewing the RDP itself. This panel is in the midst of hearing presentations from a wide variety of Pharmacare stakeholders and is being chaired by George Morfitt, former Auditor General in BC.[5] A report was delivered to the ministry in April 2002.

On December 10, 2001, the Select Standing Committee produced a Health Report 2001—*PATIENTS FIRST: Renewal and Reform of British Columbia's Health Care System.* Among their recommendations was that:

> *"Reference based pricing be retained and potentially expanded but that solutions be explored to streamline the special authority process. Pharmacists, physicians and government should negotiate a more effective special-authority process, including whether local pharmacists could take on the task."*

This recommendation will be used as input for the Reference Drug Program Panel.

Recommendation #7
Fully Implemented

- **Consider expanding the Trial Prescription Program to help minimize drug waste.**

Pharmacare has worked with the British Columbia Pharmacy Association to review this program, its effectiveness and the current documentation process. To this end, a survey was developed and disseminated to pharmacists and the responses received have been summarized.[6]

In addition, Pharmacare has conducted a cost/benefit analysis of the Trial prescription program.[7] The study indicates that the program saves a nominal $5,000 per year since 1997 and serves to reduce waste albeit in a minor way.

Pharmacare will continue to work with the BC Pharmacists Association to find ways to encourage the use of the Trial Prescription Program.

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[5] RDP Panel website: http://www.healthplanning.gov.bc.ca/cpa/policy/index.html

[6] The results of this survey is available on request Pharmacare Policy and Program Analysis project 2001-263.

[7] Pharmacare Policy and Program Analysis project 2001-014.

Paying the Right Price for Drugs Dispensed

Recommendation #8
Fully Implemented

- **The ministry should conduct field audits of pharmacies to ensure that it pays the right amounts for drugs dispensed.**

The ministry has a Pharmacare audit group that reviews the actual acquisition costs of drugs in pharmacy site audits.[8]

Evaluating and Reporting Program Results

Recommendation #9
Partially Implemented

The ministry should:

- **Develop a framework of performance indicators that measure the results of its programs for managing the cost of drug therapies and fostering appropriate drug use.**

High level performance indicators, such as those published by the Canadian Institute of Health Information (CIHI) or the cost driver work produced by the Federal/Provincial Territorial Working Group on Drug Prices, are reviewed to assess, on an aggregate level, the impact of BC Pharmacare policies relative to other provinces.

Pharmacare Trends 2000 is an historical analysis of Pharmacare's cost and cost drivers. This was published in June of 2001.[9] Along with utilization trends, the performance of Pharmacare operations and the effectiveness of Pharmacare policy changes are monitored and reported in monthly management reports, quarterly management reports and numerous adhoc reports.

It is extremely difficult to identify the impact of individual policy changes as they often overlap with other changes to Pharmacare policy. Furthermore, this has an added complexity as various policies and programs are affecting cost and fostering appropriate use at the same time.

Recommendation #10
Partially Implemented

- **Periodically measure, evaluate and report to key stakeholders on the performance of its programs for managing the cost of drug therapies and fostering appropriate drug use.**

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[8] A report on the functions of the Pharmacare audit group was included in a preview iteration of this response document.
[9] http://www.healthservices.gov.bc.ca/pharme/outgoing/PcareTrends2000.pdf

Currently, Pharmacare does not have the resources internally to carry out an extensive evaluation but this type of work is being encouraged externally. As an example, there have been numerous independent studies on the Reference Drug Program and Pharmacare commissioned a study to determine the effectiveness of the special authority process. In addition, there is a planned evaluation of plan I.

Pharmacare has set-up semi-annual forums to meet with drug industry representatives and the Executive Director of Pharmacare meets with the BCMA Pharmacy and Therapeutics Committee on a regular basis.

In 2001, Pharmacare conducted a stakeholder consultation of its programs in the context of planned restraint measures. A draft summary report is available for on-site inspection.

Pharmacare performance is also routinely reviewed in the Ministry of Health Services Annual Performance Report. In 2001, Pharmacare participated in the Ministry of Health Services Core Review and an independent "Sage" review, which focused on the efficiency of operation.

Recommendation by Select Standing Committee on Public Accounts

Fully Implemented

- **Your Committee recommends that the Ministry examine methods of providing public access to information regarding drugs covered by the Pharmacare program.**

Pharmacare now has a comprehensive website that includes a full description of Pharmacare policies including Reference Drug Program, Low Cost Alternative Program, Trial Prescription program and the Drug Submission Process. It also includes a downloadable file of Pharmacare benefits.

Web site improvements have been made, including publishing Special Authority criteria for each "Limited Coverage" drug.

The web site interface is constantly being made easier to use by the general public. Please visit http://www.healthservices.gov.bc.ca/pharme/

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Appendix

Timetable of Reports Issued and Public Accounts Committee Meetings on Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use

July 1998	Office of the Auditor General issues the 1998/99 Report 2: Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use. The report contains ten recommendations.
December 1998	The Select Standing Committee on Public Accounts reviews the Auditor General's report.
April 1999	The Select Standing Committee on Public Accounts reviews the Committee's draft report to the Legislative Assembly.
May 1999	The Select Standing Committee on Public Accounts reported the results of its review to the Legislative Assembly in its Fifth Report – Third Session 36th Parliament.
July 2002	Office of the Auditor General issues the first follow-up report to the Select Standing Committee on Public Accounts

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Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee on Public Accounts regarding the follow-up of recommendations in

1999/2000 Report 4:

Ministry of Forests

Managing the Woodlot Licence Program

March 2002

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our recommendations from our 1999/2000 Report 4: Managing the Woodlot Licence Program.

Greg Koyl, Assistant Deputy Minister, Operations Division, Ministry of Forests, provided information as to the status of the recommendations to us. We reviewed this response in December 2001.

We have reviewed the representations provided by the Ministry of Forests regarding progress in implementing the recommendations. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the Status Report on Implementation of the Auditor General's Recommendations on Managing the Woodlot Licence Program - September 2001 does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our 1999/2000 report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

March 28, 2002

Summary of Original Report on Managing the Woodlot Licence Program

Audit Purpose and Scope

The purpose of the audit was to assess whether the ministry manages the Woodlot Program in a manner that is likely to achieve its objectives. Specifically, we assessed whether the ministry had:

- established and communicated to key stakeholders clear program goals and objectives; · established a clear and defensible process for awarding woodlot licences;
- implemented a program to monitor and enforce compliance with the terms and conditions of woodlot licences; ·
- collected the information needed to manage the program; and ·
- provided accountability information to the Legislative Assembly in a timely manner.

We did not review the appraisal system used to charge licensees for the value of the timber harvested from Crown land nor did we directly measure the program's effectiveness. We did, however, seek to provide assurance that the ministry has mechanisms in place to do this. We focused our review primarily on the ministry's management of the Woodlot Program during the period since 1994 when the ministry announced it would significantly increase the number of woodlots.

The audit was carried out between December 1998 and June 1999. Our examination was performed in accordance with value-for-money auditing standards recommended by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures we considered necessary in the circumstances.

Overall Conclusion

We concluded that the ministry manages parts of the Woodlot Program well, while other parts require improvement to help ensure that the program's objectives are achieved.

The current Woodlot Program has existed for about 20 years and has gone through several phases during this period. In its early years, the program was small and operated in a relatively informal manner. As the program's popularity grew, many applicants failed to get a woodlot and this led to concerns about the licence award process. In 1989, the ministry introduced a formal woodlot award process that has undergone two significant revisions, one in July 1993 and the other in March 1996. While complaints about woodlot licence awarding have not stopped completely and improvements are still needed to make the process more accurate and objective, the ministry has made good progress in addressing stakeholder concerns about the licence award process.

The ministry has established short-term goals for the program and has worked diligently towards achieving them. For example, recent efforts have been focused on regulatory streamlining and the significant expansion of the number of woodlots. The ministry, however, needs to develop a long-term vision for the program and a strategic plan for how it expects to achieve that vision. Also, continued

. . . continued

Continued . . .

efforts are needed to ensure that all stakeholders share a common understanding of the program's purpose and that administrative policies adequately support achievement of the program's goals.

The ministry has clearly laid out the responsibilities that licensees must meet to ensure that they do not harm the forests or negatively affect values that are important to local communities. The ministry also does a good job of seeing that licensees meet their planning and harvesting responsibilities, however, silviculture monitoring has been deficient in some instances. The ministry has effective enforcement tools to deal with licensees who are negligent in their responsibilities and it uses them when it deems it appropriate.

Program information designed to manage the day-to-day affairs of the program needs improvement in some districts. It is, therefore, difficult to prepare complete and accurate summary information at the headquarters level.

Although the ministry gathers information about program revenues and direct costs, indirect program costs are not included. This makes it more difficult to assess how much the program contributes to government operations and whether or not program changes are required. The ministry lacks a fully developed program performance evaluation framework, and it has not carried out a comprehensive evaluation of the extent to which program goals have been achieved. The ministry's annual reporting to the Legislative Assembly is out of date and the information provided in it does not adequately demonstrate accountability for the resources entrusted to the ministry to deliver the Woodlot Program.

Summary of Status of Recommendations

Managing the Woodlot Licence Program

Original Issue Date: September 9, 1999

Year Followed Up: 2001

Summary of status at September 2001	OAG	PAC	Further Follow-up Required
Total Recommendations	**19**	**0**	**0**
Fully Implemented	8	0	0
Substantially Implemented	4	0	0
Partially Implemented	6	0	0
Alternative Action	1	0	0
No Action	0	0	0

Recommendations and Their Status

Fully Implemented

- The ministry should continue its efforts to ensure that all stakeholders share a common understanding of the program.
- The ministry should ensure that licensees meet all performance expectations before granting woodlot top-ups.
- The ministry should ensure that the cut control policy is applied fairly and consistently to all licensees.
- The ministry should ensure that staff and applicants have a good understanding of the application evaluation process and criteria.
- The ministry should ensure that district offices comply with the predefined category weighting ranges when advertising woodlot licence opportunities.
- The ministry should ensure that all districts apply the 30-day review process in a consistent manner.

- The ministry should gather information about all costs attributable to the Woodlot Licence Program to allow an assessment of financial results.
- The ministry should provide comprehensive program performance information to stakeholders and the Legislative Assembly in a timely manner.

Substantially Implemented Recommendations

- The ministry should formulate a clear policy on woodlot licence transfers.
- The ministry should continue to streamline woodlot administrative requirements in a manner that is consistent with the small-scale, innovative nature of the program and the level of risk the woodlots present.
- The ministry should consider ways to deal with the administrative limitations caused by the current woodlot size maximums.
- The ministry should ensure that licensees meet their silviculture responsibilities.

Partially Implemented Recommendations

- The ministry should develop a long-term vision for the Woodlot Licence Program and a strategic plan to achieve that vision with the resources likely to be available
- The ministry should provide better provincial definitions for some of the key criteria used in the application evaluation process.
- The ministry should consider developing a simpler, more objective application evaluation process.
- The ministry should ensure that licensees are held accountable for significant promises made in their applications.
- The ministry should ensure that essential data is entered into the systems in a timely manner.
- The ministry should develop a program evaluation framework for the Woodlot Licence Program and periodically evaluate the program's performance.

Alternative Action

- The ministry should top-up woodlots only when doing so contributes to the achievement of the program's goals.

Response from the Ministry of Forests

Introduction:

The Auditor General conducted an investigation of the Woodlot Licence Program in late 1998 and the first half of 1999. The Woodlot Licence Program provides private citizens and First Nation bands with an opportunity to practice sustainable forest management on relatively small parcels of Crown forest land. As of June 30, 2001, there are 808 woodlot licences in the province with an allowable annual cut (AAC) of 1 147 970 cubic meters (about 1.5 percent of the provincial AAC).

The Auditor General made 19 recommendations for the ministry to implement. Eight of these recommendations have been fully implemented, four have been substantially implemented, six have been partially implemented and one recommendation will not be implemented. Details are provided below on the status of each recommendation and the associated work that has been done.

Status of Implementation by Recommendation

Original Report Title: 1999/2000: Report 4: Managing the Woodlot Licence Program

Original Issue Date: September 19, 1999

Follow Up Date: June 30, 2001

Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
We recommend that the ministry: Continue its efforts to ensure that all stakeholders share a common understanding of the program.	Fully				
Develop a long-term vision for the Woodlot Licence Program and a strategic plan to achieve that vision with the resources likely to be available.			Partially		
Formulate a clear policy on woodlot licence transfers.		Substantially			
Continue to streamline woodlot administrative requirements in a manner that is consistent with the small-scale, innovative nature of the program and the level of risk the woodlots present.		Substantially			
Top-up woodlots only when doing so contributes to the achievement of the program's goals.				Alternate Action	
Ensure that licensees meet all performance expectations before granting woodlot top-ups.	Fully				
Consider ways to deal with the administrative limitations caused by the current woodlot size maximums.		Substantially			
Ensure that the cut control policy is applied fairly and consistently to all licensees.	Fully				
Provide better provincial definitions for some of the key criteria used in the application evaluation process.			Partially		
Ensure that staff and applicants have a good understanding of the application evaluation process and criteria.	Fully				

Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
We recommend that the ministry: Consider developing a simpler, more objective application evaluation process.			Partially		
Ensure that district offices comply with the predefined category weighting ranges when advertising woodlot licence opportunities.	Fully				
Ensure that all districts apply the 30-day review process in a consistent manner.	Fully				
Ensure that licensees are held accountable for significant promises made in their applications.			Partially		
Ensure that licensees meet their silviculture responsibilities.		Substantially			
Ensure that essential data is entered into the systems in a timely manner.			Partially		
Develop a program evaluation framework for the Woodlot Licence Program and periodically evaluate the program's performance.			Partially		
Gather information about all costs attributable to the Woodlot Licence Program to allow an assessment of financial results.	Fully				
Provide comprehensive program performance information to stakeholders and the Legislative Assembly in a timely manner.	Fully				

Progress on the Recommendations of the Auditor General's Report on the Woodlot Licence Program

1. The ministry should continue its efforts to ensure that all stakeholders share a common understanding of the program.

To promote a common understanding of the Woodlot Licence Program among stakeholders, the Forest Service has prominently posted the objectives of the Woodlot Licence Program on the Resource Tenures and Engineering Branch website. An article was also published in the December 1999 edition of the Woodland Almanac explaining the intent of the Woodlot Licence Program. This article was distributed to over 1000 woodlot licensees and stakeholders. Presentations on this topic have also been made in Kamloops, Smithers, Houston, Vanderhoof, Prince George, Cranbrook, Creston, Nanaimo, Campbell River, Chilliwack, Fort St. John and Dawson Creek. In September 2000, the ministry produced a revised program brochure that placed greater emphasis on the program's objectives.

The government's objectives for the program are reviewed with all new Forest Service staff who work in the Woodlot Licence Program, and considered in all policy discussions regarding new legislation, policy and procedures. The government's objectives for the program are expressed at every available opportunity (i.e. discussions with woodlot licensees and other stakeholders, e-mail correspondence, conference calls, presentations, and discussions at local woodlot association meetings, tours of individual woodlot licences, in procedural documents and briefing notes). The ministry will continue its efforts to ensure that all stakeholders share a common understanding of the program.

2. The ministry should develop a long-term vision for the Woodlot Licence Program and a strategic plan to achieve that vision with the resources likely to be available.

A long-term vision and strategic plan is being prepared in conjunction with executive members of the Federation of B.C. Woodlot Associations. The Forest Policy Review of March 2000 made a number of recommendations concerning the program, including a suggestion to double the number of woodlot licences. The previous government did not act on this recommendation, preferring instead to increase the number of community forest agreements. The current government is conducting a "Core

Review" of all government programs. It is expected that government's objectives with respect to the Woodlot Licence Program will be clarified as a result of the "Core Review."

The ministry has conducted some cost-benefit analysis and undertaken preliminary discussions with the Federation of B.C. Woodlot Associations. The Auditor General's report suggested the long-term vision and strategy should establish goals for the future expansion of the number of woodlot licences. Since the Auditor General's report was released, it has become increasingly clear that the creation of additional woodlot licences is in direct conflict with providing Crown land for First Nation treaty settlements. Several First Nations have indicated a desire to have the Crown land in a number of woodlot licences as treaty settlement land. Problems have resulted in situations where the ministry has created additional woodlot licences against the wishes of First Nations.

3. The ministry should formulate a clear policy on woodlot licence transfers.

The ministry has completed a policy on woodlot licence transfers after extensive consultation with stakeholders and Forest Service staff. The policy is awaiting approval by the minister. To expedite the processing of woodlot licence transfers, the authority for providing consent for most woodlot licence transfers, and dispositions of private land included in woodlot licences was delegated from the minister to the regional managers on March 15, 2001. A detailed form with instructions was recently prepared for woodlot licensee to fill out if they would like to transfer their woodlot licence or dispose of private land that is part of the woodlot licence area.

A detailed article explaining the new woodlot licence transfer policy has been written for publication in the Woodlot Almanac if the policy is approved. The draft policy was discussed at woodlot association meetings in Houston, Dawson Creek, Prince George, Nanaimo and Creston. The policy and related information will also be distributed electronically to all woodlot associations through the Federation of B.C. Woodlot Associations (FBCWA) and will be made available on the Ministry of Forests' website at http://www.for.gov.bc.ca/RTE/woodlots/woodlot.htm

4. The ministry should continue to streamline administrative requirements in a manner that is consistent with the small-scale, innovative nature of the program and the level of risk the woodlots present.

The Forest Act was amended in September 1999 to increase the term of woodlot licences from 15 to 20 years, and require licences to be replaced every 10 years instead of every 5 years. The reduced frequency of licence replacements will save licensees and Forest Service staff time and paperwork. At the same time, the Woodlot Licence Regulation under the Forest Act was amended to provide increased flexibility as to how and when the Crown land areas of woodlot licences could be amended.

Forest Act amendments to provide greater flexibility around 5-year cut control requirements were passed in the legislature on June 12, 2000. Additional Forest Act amendments eliminated the requirement to renew timber marks for the private land associated with woodlot licences every 5 years.

On February 26, 2001, Cabinet approved 34 pages of amendments to the Woodlot Licence Forest Management Regulation under the Forest Practices Code of British Columbia Act that are designed to maintain consistency with major licensee regulation amendments and provide additional streamlining for woodlot licensees.

The ministry is working with the FBCWA on the pilot legislation project where select woodlot licensees will test innovative, results-based approaches designed to simplify paperwork and increase freedom to manage. A preliminary draft of the Woodlot Licence Pilot Regulation was recently prepared.

In addition, an Area-Based Allowable Annual Cut Trial has been initiated in the Prince George, Vanderhoof, Campbell River and Sunshine Coast Forest Districts. This trial is designed to test allowable annual cuts expressed in hectares/year rather than cubic meters/year. With an allowable annual cut expressed in hectares/year, it should be simpler for a woodlot licensee to understand and achieve their cut control requirements. For example, a woodlot licensee with an allowable annual cut of 6 hectares per year should clearcut 30 hectares in a 5-year cut control period.

Legislative amendments are required before this trial can proceed. These amendments have been prepared and are waiting for an opportunity to be presented in the legislature.

5. The ministry should top-up woodlots only when doing so contributes to the achievement of the program's goals.

The ministry does not agree with this recommendation and does not intend to implement it. Principles of administrative fairness require consistent application of the legislative requirement to provide top-ups to all those licensees that rightfully qualify.

6. The ministry should ensure that licensees meet all performance expectations before granting woodlot top-ups.

District staff have been advised through conference calls that the performance of all licensees that apply for top-ups must be evaluated and a top-up granted only if the licensee satisfies all policy and legislative requirements.

7. The ministry should consider ways to deal with the administrative limitations caused by the current woodlot size maximums.

The Forest Act states that the Crown land area of a woodlot licence cannot exceed 400 hectares on the Coast and 600 hectares in the Interior. The ministry made a request in August 1999 to amend the Forest Act to eliminate the maximum amounts of Crown land that can be included in a woodlot licence. The request was deferred so that additional policy discussion could rationalize the situations where increases in Crown land above the current maximums should be allowed.

Additional policy analysis identified approximately 50 interior woodlot licences that contain the maximum 600 hectares of Crown land, and have allowable annual cuts below 750 m^3. To improve the economies of scale and profitability of these woodlot licences, adding more Crown land to these licences may be justified. It was also suggested that additional contributions of private land to a woodlot licence should be matched by similar additions of Crown land. Another suggestion was to include small isolated parcels of Crown land with adjacent woodlot licences, even if the total Crown land area of the woodlot licence would exceed the current maximum size. A final suggestion was to allow woodlot licences that were originally mapped with the maximum Crown land area to exceed the maximum area if new mapping indicates that the Crown land area is slightly greater that the maximum area allowed by the Forest Act.

At a provincial meeting in June 2000, policy discussions evaluated these suggestions for exceeding the maximum Crown land area of woodlot licences. There was insufficient support for suggestions that existing woodlot licences should be expanded to increase an allowable annual cut that is currently below 750 m^3, match additional contributions of private land or include small isolated parcel of Crown land. There was support for an amendment to the Forest Act that would allow woodlot licences that currently contain more Crown land than is allowed under the Forest Act, to remain at their current size. There was also limited support for an amendment that would allow new woodlot licences to be advertised for competition with more Crown land than the present maximum areas, if the additional area was needed to support an allowable annual cut of 1 000 cubic meters per year.

In August 2000, a request was made to initiate this Forest Act amendment, but the request did not proceed to the legislature. A similar request will be made to initiate this Forest Act amendment at the next available opportunity.

8. The ministry should ensure that the cut control policy is applied fairly and consistently to all licensees.

On August 16, 1999, a memo was sent out under the Assistant Deputy Minister, Operations Division, signature providing clarification to district managers on this issue. This issue was discussed during monthly conference calls, and it is believed that woodlot licence cut control provisions are now being applied consistently throughout the province.

To increase understanding of woodlot licence cut control requirements by Forest Service staff, and woodlot licensees, an article was published in the fall 2000 edition of the Woodland Almanac. This article was thoroughly reviewed by all Forest Service regional staff, and many district staff who administer the Woodlot Licence Program. This led to a clearer understanding of woodlot licence cut control requirements by all involved. Detailed training presentations on woodlot licence cut control requirements were also made in Smithers and Nanaimo. Minor presentations on cut control have been made at meetings of the directors of the Federation of B.C. Woodlot Associations, several local woodlot association meetings, and regional woodlot licence steering committee meetings.

Choosing the Right Licensees

9. & 10. The ministry should:

- provide better provincial definitions of some of the key criteria in the application evaluation process; and
- ensure that staff and applicants have a good understanding of the application evaluation process and criteria.

To ensure there is a clear understanding of all current requirements and definitions, district staff have been requested to contact Victoria prior to advertising a new woodlot licence. Regional staff and staff in Victoria provide support to district staff that advertise a new woodlot licence to ensure that the advertisement, application package, evaluation of applicants, the 30-day review and the award of the licence proceed in accordance with legislation, policy and the principles of contract law. For each new woodlot licence, an open meeting is usually held with potential applicants to provide a detailed explanation of the application process and the requirements associated with managing a woodlot licence.

11. The ministry should consider developing a simpler more objective application and evaluation process.

The ministry believes a comprehensive revision of the current Competition, Evaluation and Award Policy and the application process is desirable. The ministry has commenced work on a simpler evaluation and award policy by soliciting input from the Federation of B.C. Woodlot Associations, Woodlot Licence Program staff and other interested stakeholders. Work on this policy is considered a lower priority, as the ministry is not currently in a position to advertise a significant number of new woodlot licences.

Innovations to the award process have been tested on some of the newly advertised woodlot licences in an attempt to gain some experience with how to best design a new policy. The existing policy appears to be effective in obtaining private land contributions as long as the category ranking for private land carries sufficient weight. The applicant suitability criteria provide points for education and related work experience, but these criteria do not necessarily reflect the motivation or management ethic of the applicant. Another weakness of the current policy is that it does not always obtain legally enforceable management commitments that are consistent with the program objectives of improving the productivity of woodlot licence areas, enhancing local employment or providing excellent forest management.

An attempt to design an application package that will capture legally enforceable management commitments quickly lead to the realization that it would be extremely difficult to rank and compare different commitments in the various applications for a woodlot licence. This would increase the complexity of evaluating applications, and the likelihood of disputes between close ranking applicants. To overcome this problem, it is suggested that the ministry should identify and clearly describe one or more management commitments that an applicant could choose to make in their application. The evaluation would then award a specified number of additional points to applicants that are willing to make any of these additional commitments.

12. The ministry should ensure that district offices comply with the predefined category weighting ranges when advertising woodlot licence opportunities.

Only 11 new woodlot licences have been advertised since the Auditor General's report was publicly released. All staff have been informed to comply with the predefined category weighting ranges when advertising woodlot licence opportunities. All new woodlot licences that have been advertised since June 1999 have complied with this recommendation. (See Appendix I.)

13. The ministry should ensure that the 30-day review process is applied fairly and consistently.

Regional staff and staff in Victoria have worked closely with district offices to ensure that the 30-day review process is applied fairly and consistently on all newly advertised woodlot licences.

Ensuring Licensees Meet Their Obligations

14. The ministry should ensure that licensees are held accountable for significant promises made in their applications.

Significant promises that are made in a woodlot licence application should be recorded in the woodlot licence management plan. The management plan is deemed to be part of the woodlot licence agreement. If management plan commitments are not carried out, additional harvesting under the woodlot licence can be suspended until the deficiency is rectified. The concern that licensees are not always held accountable will be addressed by ensuring that district managers review management plans at the time of licence replacement, and amend the management plan to ensure it accurately records commitments in the application.

Districts are also reviewing licensee performance to ensure that any management plan commitments are being achieved.

To avoid problems associated with poor wording in woodlot licence applications, all commitments in future applications should specifically describe what will be done, any standards that will be achieved, a time frame for completion and who will bear the cost of carrying out the work.

The draft woodlot licence transfer policy and regulations allowing woodlot licensees to acquire and operate small timber processing facilities both require the achievement of significant management plan commitments. District managers cannot legally authorize a woodlot licensee to acquire or operate a timber processing facility unless management plan commitments are being adequately complied with. The draft woodlot licence transfer policy suggests that a transfer should not be approved until management plan commitments are achieved or a transfer may contain conditions requiring a substantial security deposit to ensure that management plan commitments are achieved by a specified date. Several woodlot licence transfers have recently been held up until outstanding management plan commitments are addressed. It is hoped that these actions are sending a strong message to licensees that management plan commitments must be achieved.

15. The ministry should ensure that licensees meet their silviculture responsibilities.

The ministry has requested each district to identify the monitoring of woodlot licence silviculture performance that has or will take place. The results of this questionnaire indicated that most districts are reviewing woodlot licence silviculture obligations. More emphasis is being placed on silviculture performance as one of the key objectives of the program. The regulations allowing woodlot licensees to acquire and operate small timber processing facilities requires continuing silviculture performance above the minimum standards. The draft woodlot licence transfer policy also stresses that silviculture performance should be reviewed prior to approving a transfer. In cases where silviculture performance is not satisfactory, a transfer may not be approved or conditions may be attached to a transfer requiring a substantial security deposit to ensure that silviculture obligation are achieved by a specified date.

Some regions have conducted audits of certain districts to ensure that monitoring of woodlot licence silviculture compliance is taking place. One woodlot licence is in the process of being canceled for failure to comply with silviculture obligations and other non-compliance issues

Gathering Program Information

16. The ministry should ensure that its staff are properly trained and monitored so that only essential data is entered into the systems in an accurate and timely manner.

Since the Auditor General's investigation was conducted, the ministry has updated the information in the Forest Tenures Administration System (FTAS) so that accurate summaries of the number of woodlot licences, hectares of private and Crown land, and associated allowable annual cuts can be produced over the entire province.

The ministry is currently attempting to enter and update woodlot licence harvesting and silviculture data in the Integrated Silviculture Information System (ISIS). The ministry has prepared specific instructions on how to enter essential information from woodlot licence site plans and annual reports into ISIS. ISIS training has been taken by several key woodlot licence staff to facilitate the achievement of this recommendation.

Part of the problem is that information to be entered into ISIS is obtained from woodlot licence annual reports. Historically, a significant number of woodlot licensees have not submitted these reports or have submitted incomplete and inaccurate information. To improve these submissions, Resource Tenures and Engineering Branch has collected copies of all annual reports for the last two years and has summarized the information reported. The ministry is also working with the FBCWA to encourage all woodlot licensees to submit complete and accurate information.

In January 2001, the reporting format was simplified and the instructions were improved. In February 2001, a penalty of up to $2,000 was added to the Administrative Remedies Regulation under the Forest Practices Code of British Columbia Act for failure to submit a woodlot licence annual report. Over the past two years, there has been an increase in the percentage of woodlot licensees who have submitted their annual reports, and the quality of information is improving. For the year 2000, 99 percent of woodlot licensees submitted their annual reports.

Some regional staff have conducted audits of districts to evaluate the progress they are making in entering data into ISIS. Ministry staff in Victoria have also run reports to summarize the information that districts have entered into ISIS and FTAS.

Evaluating and Reporting on Program Results

17. The ministry should develop a program evaluation framework for the Woodlot Licence Program and periodically evaluate the program's performance.

The ministry experimented with a preliminary program evaluation framework during the 1999/2000 fiscal years. The following table presents draft performance measures for an Accountability for Performance Initiative. Information was monitored on some, but not all of these performance measures due to limited staff resources and more pressing priorities.

As part of the strategic plan for the Woodlot Licence Program, the ministry is attempting to develop a management framework that will provide a system for regular and ongoing feedback and accountability on the effectiveness and efficiency of program implementation.

Performance Measures	Target March 2000	Actual March 1999	Actual March 2000	Actual March 2001
1. Maintain or increase the total number of woodlot licences.		768	807	808
2 Increase the amount of Crown land reserved for expansion (hectares).		Not Available	Not Available	Not Available
3. Maintain or increase the total amount of private land included in woodlot licences (hectares).		88 456 ha	91 878 ha	92 562 ha
4. Maintain or increase the total allowable annual cut provided by woodlot licences (cubic metres).		1 002 141 m^3	1 147 970 m^3	1 157 027 m^3
5. Increase the percentage of licensees that have approved plans and permits so they can initiate sufficient harvesting (percentage).	100%	Not Available	Not Available	Not Available Estimated 2 312 987 m^3 under Cutting Permits

18. The ministry should gather information about all costs attributable to the program to allow an assessment of financial results.

In May 2000, the ministry prepared estimates of the costs associated with administering the Woodlot Licence Program by obtaining cost estimates from one district in each region, all regions and staff in Victoria who deal with woodlot licence issues. Based on these estimates, the projected cost to administer the entire program during the 1999/2000 fiscal year was $4,556,000. This process was repeated for the 2000/2001 fiscal year with a resulting cost estimate of $4,516,000. This information is summarized in Appendix II.

19. The ministry should provide comprehensive program performance information to stakeholders and the Legislative Assembly in a timely manner.

In June 2000, the ministry initiated an annual reporting system documenting accomplishments and program performance. Reports for the last two fiscal years have been prepared for presentation to stakeholders and the Legislative Assembly. Future reports should describe woodlot licence silviculture compliance once information in ISIS is fully updated.

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Appendix

Timetable of Reports Issued and Public Accounts Committee Meetings on Managing the Woodlot Licence Program

September 1999	Office of the Auditor General issues 1999/2000 Report 4, Managing the Woodlot Licence Program. The report included 19 recommendations.
November 1999	The Select Standing Committee on Public Accounts reviews our report
October 2000	The Select Standing Committee on Public Accounts reports to the Legislative Assembly on its review of the report.
March 2002	Office of the Auditor General issues its first follow-up Report on Managing the Woodlot Licence Program.

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Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee on Public Accounts regarding the follow-up of recommendations in

1998/99: Report 3

Collection of Overdue Accounts Receivable

February 2001

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our September 2000 follow-up of the recommendations from our 1998/1999 Report 3: Collection of Overdue Accounts Receivable.

Information as to the status of outstanding recommendations was provided to us by the responsible organizations in September 2000. We reviewed the responses in October 2000.

We have reviewed the representations provided by the organizations regarding progress in implementing the recommendations. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants and, accordingly, consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the various organizations' progress reports do not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our 1998/1999 report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

February 2001

Summary of Original Report on Collection of Overdue Accounts Receivable: Cross-Government Overview

Audit Purpose and Scope

The purpose of the audit was to assess the effectiveness and efficiency of the programs government had established to collect overdue accounts receivable.

Our audit considered:

- completeness (how successful government was at collecting overdue accounts);
- timeliness (how quickly those accounts were collected);
- fairness (what assurances there were that debtors were treated fairly and consistently);
- efficiency (the relationship between money collected and the cost of collecting that money); and
- accountability (performance information provided to the Legislative Assembly).

We did not audit government's management of accounts receivable in general. Also, the collection of stumpage by the Ministry of Forests was not part of the audit because that area was reviewed as part of the audit of the ministry's credit management system and reported in our *Report on the 1996/97 Public Accounts*.

Our examination reviewed the results of the fiscal years 1994/95 to 1996/97.

Overall Conclusion

We found that some programs (i.e. Revenue Division and Loan Administration Branch, both in the Ministry of Finance and Corporate Relations) were performing better than others (i.e. the Motor Vehicle Branch, Ministry of Health, and Ministry of Human Resources).

Overall, government collection processes were fragmented, inconsistent, and some were poorly resourced. Some ministries had only recently become involved in collection, and they lacked the expertise and resources to do the job properly. Many of the debts owed to government are difficult to collect, but we believed that the results could be improved by setting a clear direction for collection, introducing resources and incentives for managers to collect debts, and making judicious use of private sector collection agencies. Finally, we found that the Legislative Assembly received little or no information about the collection of overdue accounts receivable.

Summary of Status of Recommendations

Cross-Government Overview

Original Issue Date: November 1998
Year Followed Up: 2000

Summary of status at June 2000	OAG	PAC	Further Follow-up Required
Total Recommendations	**7**	**1**	–
Fully Implemented	3	0	–
Partially Implemented	4	0	4
Alternative Action	0	0	0
No Action	0	1	1

Recommendations and Their Status

Cross-Government Overview

Number of recommendations in the original report	7
Recommendations requiring further follow-up	5

Partially Implemented Recommendations

Recommendation 1:

Clearly define its objectives for the collection of overdue accounts. In doing so, government should evaluate the impact of the collection of overdue accounts. For example, vigorous collection of overdue accounts can be seen as a factor in the enforcement of traffic safety initiatives. This may mean pursuing marginally economic (or even uneconomic) collection activities for the sake of establishing and maintaining an enforcement presence.

Recommendation 4:

Identify appropriate performance measures and establish data-gathering processes required to monitor performance. Establish benchmarks describing performance expectations and goals. Define internal and external reporting requirements.

Recommendation 5:

Determine and allocate the resources required to do a proper job. Decisions should be based on comprehensive cost-benefit analyses, including consideration of non-financial objectives.

Recommendation 6:

Monitor actual performance, compare this with benchmarks, and evaluate variances. Review objectives, goals, performance measures, data-gathering processes, resources, and program management.

No Action

PAC Recommendation 1:

Re-attend within six months of the tabling of the report, in order to provide the committee with an update on progress made in implementing the committee's recommendations, as well as to provide further information to the committee regarding debt counseling referral and multilingual notices of debt and payment demand.

Collection of Overdue Accounts Receivable
Cross-Government Overview
Status Report

October 2000

Office of the Auditor General of British Columbia Recommendation	Progress Update
1. Clearly define its objectives for the collection of overdue accounts. In doing so, government should evaluate the impact of the collection of overdue accounts. For example, vigorous collection of overdue accounts can be seen as a factor in the enforcement of traffic safety initiatives. This may mean pursuing marginally economic (or even uneconomic) collection activities for the sake of establishing and maintaining an enforcement presence.	**Recommendation is partially implemented.** Objectives for collection of revenue and accounts receivable vary among government programs. Goals in tax collection are different from goals in recovering social benefit overpayments, which are also different from traffic fine enforcement. Our approach will be to ask each ministry to define goals, objectives and performance measurements. The first draft of modifications to the current Financial Management Operating Policy (FMOP), Chapter 11—Revenue Management is complete. Policy amendments include a requirement for ministries to establish goals, objectives and performance measures for revenue programs. Government-wide objectives include information sharing between ministries to assist with debtor location and expanded use of Canada Customs and Revenue Agency's set-off program against income tax and GST refunds. As collection resources in ministries are limited, there is a new objective to make greater use of Collection and Loan Management Branch (CLMB) and private collection agencies where practical. A new funding model for CLMB has been developed to facilitate this. The exception is Revenue Division's tax receivables; the Ministry of Forest's stumpage fee receivables; and ICBC fines. These receivables will not be migrated to CLMB because the programs' expertise, resources and administrative sanctions are already in place for collection of overdue accounts receivable.
2. Determine who will be responsible and accountable for the collection of overdue accounts. Choices include making each ministry responsible for the collection of its own overdue accounts, or establishing one or more specialized groups to collect overdue accounts on behalf of other ministries. We believe, given the uneven results we observed that government should assess the benefits and risks of consolidating its collection activities.	**Recommendation is fully implemented.** Ministry roles, responsibilities and standards for collection of accounts receivable and referrals to the Collection and Loan Management Branch (a central collection group for government) have been developed and discussed by the Accounts Receivable Improvement Project team and Treasury Board Staff. Ministries are also responsible for the management of debt including debt recovery, write-offs and provisions for doubtful accounts. Ministries are to be responsible for invoicing, for 30- and 60- day dunning letters and for migrating non-tax receivables to the Collection and Loan Management Branch (CLMB). Use of the CLMB is to be phased in over time.

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Collection of Overdue Accounts Receivable
Cross-Government Overview
Status Report

October 2000

Office of the Auditor General of British Columbia Recommendation	Progress Update
2. . . . Continued	As noted earlier, Revenue Division's tax receivables; Ministry of Forest's stumpage fee receivables; and ICBC fines will not be migrated to CLMB because of these programs' expertise, resources and administrative sanctions are already in place for collection of overdue accounts receivable. We believe that bringing collections under the administration of the CLMB will help to effect a consistent level of effort being applied to all of government's accounts receivable.
3. Implement incentives to encourage effective and efficient collection of overdue accounts. Government should amend the financial management policies that currently provide insufficient incentives (and sometimes create disincentives) for ministries to collect money owed to them. In particular, the government should consider how debt collection activities are funded. We believe that it should establish a program (or programs) on a self-funding, commission basis; encourage a competitive, performance-based culture; and cease treating collection activities as a cost center. It should also use private sector agencies, both to enhance performance and to establish benchmarks.	**Recommendation is fully implemented.** The Collection and Loan Management Branch (CLMB) received approval from Treasury Board to eliminate the disincentive resulting from charging back internal government collection costs to ministries. Costs formerly recorded as operating expenditures to a ministry vote are now recorded as deductions from revenue. After initial base budget adjustments there are now no incremental costs to ministries using this "netting" approach. This is expected to result in significant consolidation of collection functions and expertise at CLMB. Other incentives introduced by government for collecting overdue accounts receivable are: • CLMB can now do compromise settlements (up to $40,000) directly for any debt referred to them as permitted by Section 18 of the Financial Administration Act (FAA) and ministry memorandum of understanding; • Where debts are owed to government by its employees, Treasury Board has approved of set-offs against government employees' payroll (FAA Section 38); and, • The use of private sector collection agencies (PCAs) has increased, where this is deemed appropriate. CLMB is reviewing the costs of internal vs. external (PCA) collection services.

Collection of Overdue Accounts Receivable
Cross-Government Overview
Status Report

October 2000

Office of the Auditor General of British Columbia Recommendation	Progress Update
4. Identify appropriate performance measures and establish data-gathering processes required to monitor performance. Establish benchmarks describing performance expectations and goals. Define internal and external reporting requirements.	**Recommendation is partially implemented.** Benchmarks were developed by the Collection and Loan Management Branch (CLMB), Revenue Division and ICBC. Variances between the benchmarks and actual results will be evaluated after one year of use. As efforts to gradually consolidate government collections into CLMB are new, monthly performances reporting has been recommended by OCG and Treasury Board Staff. Performance measures were developed for CLMB and PCAs highlighting: • net cash recoveries; • regular consistent reporting to the referring ministries; and, • a focus on outputs. Ministries will continue to report quarterly to OCG on aged accounts receivable, but in a broader number of categories. Reporting requirements in ministry annual reports have also been proposed. (FMOP 11.14, Appendix C)
5. Determine and allocate the resources required to do a proper job. Decisions should be based on comprehensive cost-benefit analysis, including consideration of non-financial objectives.	**Recommendation is partially implemented.** 18 collection specialists at three ministries have been added: • Ministry of Social Development and Economic Security 6 • Revenue Division, Ministry of Finance and Corporate Relations 6 • Ministry of Health 6 Reliable costing information and accurate projections of incremental collections are not yet available. As collection activities are gradually consolidated into the Collection and Loan Management Branch, better information will start to accumulate as to results and better resourcing decisions can be made in future. A draft information sharing agreement format has been designed to facilitate debt collections and conform to the Freedom of Information and Protection of Privacy Act (FIPPA). This agreement will allow one organization to access databases of other organizations for collections purposes while ensuring compliance with FIPPA policies. The agreement will establish roles, responsibilities and other conditions between the organizations.

Collection of Overdue Accounts Receivable
Cross-Government Overview
Status Report

October 2000

Office of the Auditor General of British Columbia Recommendation	Progress Update
6. Monitor actual performance, compare this with benchmarks, and evaluate variances. Review objectives, goals, performance measures, data-gathering processes, resources, and program management.	**Recommendation is partially implemented.** Ministries with significant revenue streams and accounts receivable portfolios have been asked to compile work plans for their accounts receivable programs. All of the auditees are currently developing benchmarks for their accounts receivable programs. Private sector best practices are being reviewed and adopted in government where appropriate. OCG has incorporated suggested performance measures into FMOP 11.14 and will be requesting more detailed reporting from ministries on a quarterly and annual basis.
7. Provide timely information to the Legislative Assembly on performance goals and actual results, including appropriate contextual information.	**Recommendation is fully implemented.** A reporting template has been developed for ministry annual reports. It can be used ministry-wide and for key programs, and will be included in Section 11.14 of the Financial Management Operating Policy manual.

Collection of Overdue Accounts Receivable
Cross-Government Overview
Status Report

October 2000

Public Accounts Committee Recommendation	Progress Update
1. Your committee recommends that representatives of the Office of the Comptroller General re-attend before the committee within 6 months of the tabling of the report, in order to provide the committee with an update on progress made in implementing the committee's recommendations, as well as to provide further information to the committee regarding debt counseling referral and multilingual notices of debt and payment demand.	**Recommendation is not implemented to date.** **Debt Counseling** The Debtor Assistance Branch (DAB) attended an Accounts Receivable Improvement Project meeting to: • clarify the current role of DAB; and, • discuss the potential role that DAB could play in the collection of overdue accounts receivable. The primary focus of DAB is to assist debtors not collectors. DAB assists debtors in reaching debt repayment agreements with creditors. It does not have any significant databases available for collections and may at times be at odds with government's repayment strategies. A key issue impeding large volumes of referrals of government debtors to DAB is that branch's limited resources. There are 3 offices and 9 debt counselors for the entire province, so they would not be able to handle significant numbers of extra referrals on a timely basis. We intend to review DAB's role again in the future once the new collection program is firmly in place. **Multilingual Forms** A survey of ministries with significant A/R portfolios found that the need for multilingual forms is generally not an issue. Ministries will continue to assess this issue as required.

Summary of Original Report on Collection of Overdue Accounts Receivable: Revenue Division, Ministry of Finance and Corporate Relations: Overdue Taxes

Audit Purpose and Scope

The purpose of the audit was to assess the effectiveness and efficiency of the government's programs for collecting overdue taxes.

Our audit considered:

- completeness (how successful the ministry was at collecting overdue taxes);
- timeliness (how quickly overdue taxes were collected);
- fairness (what assurances there were that taxpayers were treated fairly and consistently);
- efficiency (the relationship between overdue taxes collected and the cost of collecting those taxes); and
- accountability (performance information provided to the Legislative Assembly).

The scope of our audit included: consumer taxes (Social Service, Hotel, Tobacco), rural property taxes and other taxes (Property Transfer, Corporation Capital and several others) collected by the Ministry of Finance and Corporate Relations. Personal and corporate income taxes were not included in the audit because those taxes were collected by the federal government.

Our examination reviewed the results of the fiscal years 1994/95 to 1996/97.

Overall Conclusion

We concluded that the Ministry of Finance and Corporate Relations was achieving reasonably good results, given the resources it had assigned to its programs for collecting overdue taxes, although we were concerned about the high level of taxes remaining outstanding and therefore at risk. Although the ministry monitored and reported on a variety of performance measures, without a benchmark for what constitutes adequate performance we could not conclude whether the results represented a level of performance that was acceptable to the ministry or to the government.

We also concluded that the ministry was hampered by its information systems, which did not provide sufficient management information to fully evaluate program performance. These information systems were developed, with the primary concern being to ensure accuracy of basic program information rather than to provide performance information. Resource limits had constrained development of systems capable of providing better management information.

Summary of Status of Recommendations

Revenue Division, Ministry of Finance and Corporate Relations: Overdue Taxes

Original Issue Date: November 1998
Year Followed Up: 2000

Summary of status at April 30, 2000	OAG	PAC	Further Follow-up Required
Total Recommendations	**6**	**0**	**5**
Fully Implemented	1	0	0
Partially Implemented	5	0	5
Alternative Action	0	0	0
No Action	0	0	0

Recommendations and Their Status

Revenue Division, Ministry of Finance and Corporate Relations: Overdue Taxes

Number of recommendations in the original report	6
Recommendations requiring further follow-up	5

Partially Implemented Recommendations

Recommendation 1:

The ministry should determine appropriate performance measures and set clear, measurable goals for its programs for collecting overdue taxes. It should also monitor performance relative to these goals.

Recommendation 2:

The ministry should use cost-benefit analyses to determine the appropriate level of resources to apply to the collection of overdue taxes.

Recommendation 3:

The ministry should ensure it has adequate information systems that support effective and efficient tax administration processes by satisfying both operational and management information requirements.

Recommendation 5:

The ministry should evaluate the potential benefits and costs associated with the use of private sector collection agencies, to supplement its current programs for collecting overdue taxes.

Recommendation 6:

The ministry should include, as part of the accountability information it provides to the Legislative Assembly about tax administration, year-to-year comparisons of:

- number and dollar value of taxpayer defaults during the year,
- recoveries and write-offs,
- timeliness of collection,
- costs of programs for collecting overdue taxes,
- forfeitures and redemptions of previously forfeited property, and
- balance of overdue accounts at yearend.

Collection of Overdue Accounts Receivable
Revenue Division, Ministry of Finance and Corporate Relations: Overdue Taxes
Status Report

October 2000

Office of the Auditor General of British Columbia Recommendation	Progress Update
1. The ministry should determine appropriate performance measures and set clear, measurable goals for its programs for collecting overdue taxes. It should also monitor performance relative to these goals.	**Recommendation is partially implemented.** The overall goal of the collection activities of Revenue Division is to effectively manage accounts receivable. Objectives include maximizing recoveries in a manner that is timely, efficient and professional; consistently comply with legislation and policy; recognize and recommend write-off of accounts that are uncollectable; report on performance; and continue to develop adequate information systems to support these objectives. Within the Consumer and Income Taxation Collection sections, collector performance measures were set in 1997, and individual and group performance is monitored against them. The sections continue to use these performance measures to monitor collection activity. In the Consumer Taxation Branch, a business/operating plan has been established for the collection section, which includes outputs and measures to meet branch goals and objectives. The completion of the implementation of the new CTB21 system in the Fall of 2000 will provide comprehensive management reporting information on established benchmarks and targets for consumer tax collections. The Real Property Tax Branch has started a Collections 2000 Initiative to reduce accounts receivables on rural property tax and forfeitures. In the Income Taxation Branch, a new system for Property Transfer Tax is currently being developed and is expected to be implemented by the Spring of 2002. Also, a limited project to deal with improvements to the Revenue Income Taxation Branch System (RITB) has begun and requirements are being identified. A divisional Management Information System (MIS) project is currently underway to investigate what information is available to assist in determining improved performance measures in the Revenue Division.

Collection of Overdue Accounts Receivable
Revenue Division, Ministry of Finance and Corporate Relations: Overdue Taxes
Status Report

October 2000

Office of the Auditor General of British Columbia Recommendation	Progress Update
2. The ministry should use cost-benefit analyses to determine the appropriate level of resources to apply to the collection of overdue taxes.	**Recommendation is partially implemented.** The introduction of new systems and enhancement to existing systems will improve existing information that will assist in cost-benefit analysis for determining appropriate resource levels. The need for additional resources continues to be reviewed as part of an annual business planning cycle and is taken within the context of government wide human resource constraints. In the Real Property Tax Branch, a process flow and work analysis is being completed as part of their Collection 2000 Initiative. It should be noted that two FTEs were added in 1998/99, four FTEs were added in 1999/00 and a further four FTEs have been added in 2000/01 to the collection function of the division.
3. The ministry should ensure it has adequate information systems that support effective and efficient tax administration processes by satisfying both operational and management information requirements.	**Recommendation is partially implemented.** The Consumer Tax System will be replaced by the CTB21 system by the Fall of 2000. In the Income Taxation Branch, a new system for Property Transfer Tax is currently being developed and is expected to be implemented by the Spring of 2002. Also, a limited project to deal with improvements to the Revenue Income Taxation Branch System (RITB) has begun and requirements are being identified. In the Real Property Tax Branch, the re-designed School Municipal Accounting and Reconciliation Tax System (SMARTS) is currently 95% complete and operational.
4. The ministry should work with other parts of government to ensure collectors have complete access to all sources of information that can help them to collect overdue taxes. This may require a government-wide direction to share information.	**Recommendation is fully implemented.** During fiscal year 1999/2000, referrals to the federal Income Tax/GST Refund Set-Off Program included $7.9 million for consumer taxation debt and $700,000 for property transfer tax debt. Also, real property is beginning participation in this set-off program for seriously delinquent manufactured homes. It should be noted that public Internet information sources such as the world phone directory site, the Canadian securities site, Canada 411, InfoSpace and various search engines to locate people are also being used to help collect overdue taxes. Also, the division currently receives information from other government agencies and Crown corporations through agreements consistent with appropriate legislation.

Collection of Overdue Accounts Receivable
Revenue Division, Ministry of Finance and Corporate Relations: Overdue Taxes
Status Report

October 2000

Office of the Auditor General of British Columbia Recommendation	Progress Update
5. The ministry should evaluate the potential benefits and costs associated with the use of private sector collection agencies, to supplement its current programs for collecting overdue taxes.	**Recommendation is partially implemented.** The Consumer Tax Branch started a one-year pilot project with a private collection agency in April 2000. The results of this pilot will determine feasibility of expansion to other tax collection programs.
6. The ministry should include, as part of the accountability information it provides to the Legislative Assembly about tax administration, year-to-year comparisons of: • number and dollar value of taxpayer defaults during the year, • recoveries and write-offs, • timeliness of collection, • costs of programs for collecting overdue taxes, • forfeitures and redemptions of previously forfeited property, and • balance of overdue accounts at yearend.	**Recommendation is partially implemented.** Information on balance of overdue accounts at year-end, forfeitures and redemptions of previously forfeited property as well as write-offs is currently available for reporting. The continued implementation of new systems and enhancement of existing systems will reduce the limitation of information constraints and will provide information that can be reported in future annual reports.

Collection of Overdue Accounts Receivable
Revenue Division, Ministry of Finance and Corporate Relations: Overdue Taxes
Workplan

October 2000

LEGEND:

A/R - Accounts Receivable
CLMB - Collection and Loan Management Branch
CCRA - Canada Customs and Revenue Agency
CTB - Consumer Tax Branch
ITB - Income Tax Branch
OCG - Office of the Comptroller General
PCA - Private Collection Agency
RPTB - Real Property Tax Branch

Issue	Current Status	Future Plans	Additional Comments
Program Goals and Objectives Established	GOAL: Effectively manage accounts receivable. OBJECTIVES: Maximize recoveries in a manner that is timely, efficient and professional; consistently comply with legislation and policy; recognize and recommend for write-off accounts that are uncollectable; report on performance; and continue to develop adequate information systems to support these objectives.	Changes to information systems are planned to further refine the general goals and objectives.	Initial work on a five-year system plan for RPTB has been started.
Performance Measures (includes benchmarks and targets)	Business/operation plan and measures developed for CTB Collections. New CTB21 system, to be completed by Fall 2000, which integrates 36 standalone tax database systems, will provide improved management reporting of performance measures and expected results. Division MIS project is investigating what information is available for performance management. Information on balance of overdue accounts at year-end, forfeitures and redemptions of previously forfeited property as well as write-offs is currently available for reporting.	New system for Property Transfer Tax expected in April 2002 will provide information on established performance measures. Potential key performance measures will include timeliness of collection activities; number of cases outstanding and closed; case duration; recovery to date; amount collected compared to amount assessed; and median age of debt.	The monitoring and reporting of proposed performance measures is dependant upon the successful implementation of current on-going systems projects and planned new systems developments/enhancements. CTB measures and reporting to be in place by March 31, 2001.

Collection of Overdue Accounts Receivable
Revenue Division, Ministry of Finance and Corporate Relations: Overdue Taxes
Workplan

October 2000

LEGEND:

A/R = Accounts Receivable
CLMB = Collection and Loan Management Branch
CCRA = Canada Customs and Revenue Agency
CTB = Consumer Tax Branch
ITB = Income Tax Branch
OCG = Office of the Comptroller General
PCA = Private Collection Agency
RPTB = Real Property Tax Branch

Issue	Current Status	Future Plans	Additional Comments
Plans for A/R Improvements (e.g. efficiency, effectiveness)	2 FTEs added in 1998/99. 4 FTEs added in 1999/00. 4 FTEs added in 2000/01. Consumer Tax System to be replaced by the CTB21 system by Fall 2000. CTB collections is piloting on-site visits of businesses to promote compliance. ITB has expanded its use of CCRA set-offs to include accounts for which we do not have Social Insurance Number (SIN).	The need for additional resources continues to be reviewed as part of an annual business planning cycle. CTB collections will establish a call center to contact taxpayers and encourage them to remit overdue payments. Proposed improvements to the Revenue Income Taxation Branch (RITB) System.	Referrals to the federal Income Tax / GST Refund Set-Off Program include $7.9 million for Consumer Tax debt and $700,000 for Property Transfer Tax debt. RPTB is commencing referrals to this program. Internet information sources are being used to help collect overdue taxes in addition to existing information received from other government agencies and crown corporations.
Use of PCAs and CLMB	CTB started a one-year pilot project with a PCA in April 2000. Anticipate referring 1600 accounts initially and 75 per month thereafter.	Results will determine expansion to other tax collection programs. Agencies performance will be evaluated and PCAs will be assessed as a method of collecting debt.	A cost/benefit analysis will be performed to determine if the resources expended in forwarding cases to PCA and handling the inquiries generated justifies the recoveries achieved.

Collection of Overdue Accounts Receivable
Revenue Division, Ministry of Finance and Corporate Relations: Overdue Taxes
Workplan

October 2000

LEGEND:
A/R - Accounts Receivable
CLMB - Collection and Loan Management Branch
CCRA - Canada Customs and Revenue Agency
CTB - Consumer Tax Branch
ITB - Income Tax Branch
OCG - Office of the Comptroller General
PCA - Private Collection Agency
RPTB - Real Property Tax Branch

Issue	Current Status	Future Plans	Additional Comments
Reporting of Information (types, internal vs. external, media)	Systems limitations constrain information currently available. Current reporting includes monthly management internal reports and quarterly aged A/R to the Ministry and OCG.	The continued implementation of new systems and enhancements of existing systems will reduce the limitation of information constraints and will provide information that can be reported in future annual reports.	Annual reporting of write-offs and monthly reporting on real property annual forfeiture process is available.
Other Key Issues	Comprehensive review of legislation to identify amendments to enhance ability to collect tax debts.		

Summary of Original Report on Collection of Overdue Accounts Receivable: Loan Administration Branch, Ministry of Finance and Corporate Relations: Defaulted Student Loans

Audit Purpose and Scope

The purpose of the audit was to assess the effectiveness and efficiency of the government's collection programs for collecting delinquent receivables administered by the branch.

Our audit considered:

- completeness (how successful the branch was at collecting overdue accounts);
- timeliness (how quickly those accounts were collected);
- fairness (what assurances there were that debtors were treated fairly and consistently);
- efficiency (the relationship between revenues and the costs of collecting those debts); and
- accountability (performance information provided to the Legislative Assembly).

Our examination reviewed the results of the fiscal years 1994/95 to 1996/97.

Overall Conclusion

Reaching a conclusion on the branch's performance was difficult. There were no suitable benchmarks against which to compare results. By the time an overdue student loan was referred to the branch, it had already been in arrears for at least six months while a bank had tried unsuccessfully to recover it. The students may have had difficulty finding employment, and the original loans had been granted for reasons other than ability to repay. Therefore, the costs and recovery rates could not be directly measured against a standard commercial loan operation, which would grant credit on the ability to repay and seek collateral for higher risk loans. Given those circumstances, we believed that the branch had performed reasonably well.

Although collection was quite slow and costs looked slightly higher than the standard commissions charged by private sector agencies, the results of the branch had been improving consistently in recent years. Costs of collection had been falling and recovery rates increasing.

It was difficult to compare directly the costs of the branch to the costs of collection agencies. The branch incurred necessary administrative and management costs that were not reflected in the apparent cost of collection by collection agencies, but also received services from other government organizations that were not fully reflected in its cost structure.

Summary of Status of Recommendations

Loan Administration Branch, Ministry of Finance and Corporate Relations: Defaulted Student Loans

Original Issue Date:	November 1998
Year Followed Up:	2000

Summary of status at May 24, 2000	OAG	PAC	Further Follow-up Required
Total Recommendations	**5**	**0**	–
Fully Implemented	1	–	–
Partially Implemented	4	–	4
Alternative Action	–	–	0
No Action	–	–	0

Recommendations and Their Status

Loan Administration Branch, Ministry of Finance and Corporate Relations: Defaulted Student Loans

Number of recommendations in the original report	5
Recommendations requiring further follow-up	4

Partially Implemented

Recommendation 2:

The ministry should establish specific measurable goals for the branch, along with performance benchmarks and targets for cost-effectiveness of collection.

Recommendation 3:

The ministry should ensure collectors have complete access to all sources of information that can help them to collect overdue loans. This may require a government-wide direction to share information.

Recommendation 4:

The government should review the method of funding the Loan Administration Branch, as well as the method for accounting for commissions paid to collection agencies, to ensure that decisions about how (or by whom) collection of overdue accounts are managed reflect the best interests of government as a whole, not just the best interests of one ministry.

Recommendation 5:

The ministry should include, as part of the accountability information it provides to the Legislative Assembly about the branch's activities, year-to-year comparisons of:

- new debt referred for collection during the year,
- recoveries and write-offs,
- timeliness of collection,
- costs of collection programs, and
- balance of overdue accounts at yearend.

Collection of Overdue Accounts Receivable
Loan Administration Branch – Defaulted Student Loans
Status Report

October 2000

Office of the Auditor General of British Columbia Recommendation	Progress Update
1. The branch should be provided with the necessary legal tools and information to collect money owed to the government by provincial government employees.	**Recommendation is fully implemented.** Working with the Office of the Comptroller General (OCG), approval was obtained in February 2000, to use Section 38 of the Financial Administration Act (FAA) to collect overdue provincial debt from provincial employees through wage set-off. The Branch currently has 275 debtors who are government employees, most of whom have on-going payment arrangements with the Branch. However, since February 2000, three demands, pursuant to Section 38 of the FAA, have been issued and warning letters have been issued to several other debtors. On an on-going basis, the Branch monitors its debtors who are government employees by producing a regular report. The report allows collectors to identify government employees and take the necessary collection action, including, as appropriate, using Section 38 of the FAA. Summary reports detailing the number of demands issued and action taken are also kept. The ability to set-off provincial employee wages has proved valuable to the Branch by providing the means of obtaining payment from provincial employees who do not pay voluntarily. As the Branch takes on new portfolios, the Branch will identify debtors who are provincial employees to ensure they do not have an unfair advantage compared to other debtors.
2. The ministry should establish specific measurable goals for the branch, along with performance benchmarks and targets for cost-effectiveness of collection.	**Recommendation is partially implemented.** In the past, the Branch has set specific measurable goals for collection, including revenue expectations, on the major portfolios (BC Student Assistance debt) and for collection staff. As part of the centralization process, the Branch has undertaken to establish benchmarks and collection targets that fit with its new mandate. In its work plan submitted to OCG, the following goals and targets were identified: • The Branch will transfer collection staff to new portfolios while maintaining existing revenue levels for current portfolios. This represents a targeted 10% increase in efficiency. The Branch will monitor the progress of the transfer of staff to ensure that by March 31, 2001, this efficiency goal is achieved. A quarterly review of staffing allocation and costs will enable the Branch to monitor this efficiency measure over the fiscal year.

continued...

Collection of Overdue Accounts Receivable
Loan Administration Branch – Defaulted Student Loans
Status Report

October 2000

Office of the Auditor General of British Columbia Recommendation	Progress Update
2. . . . Continued	• The Branch will establish a collection support function (June 2000) and transfer support functions from collectors to this business unit. This creates a more cost-effective environment by removing administrative tasks from the collectors. The effectiveness of this function will be evaluated by March 31, 2001 and production benchmarks will be identified. • Fiscal 2000/01 recovery targets have been established: • BC Student Assistance $10.9 million • Ministry of Social Development and Economic Security (MSDES) $ .54 million (estimated) • Ministry of Health $ .27 million (subject to on-going negotiations) • The Branch will also develop costing models and analyze collection strategies based on cost-effectiveness. No time frame for implementation of this process has been established. As part of the centralization process, the Branch will be reporting on its progress back to OCG and Treasury Board (TBS) by the end of December 2000.
3. The ministry should ensure collectors have complete access to all sources of information that can help them to collect overdue loans. This may require a government-wide direction to share information.	**Recommendation is partially implemented.** The SFO Sub-Committee on Accounts Receivable, chaired by the Comptroller-General, made progress in identifying sources of information within government that are helpful in the collection process. As a result, the Branch is now working with the Ministry of Health (MoH) to obtain access to the MoH Client Registry database. A Memorandum of Understanding will be signed shortly. This source of information is expected to be a valuable tool for locating debtors. The Branch is in discussions with MSDES to obtain limited access to their BC Benefits system. The two parties are exploring ways to be able to identify whether government debtors are currently in receipt of BC Benefits, so that collection action can be halted with respect to these debtors.

Collection of Overdue Accounts Receivable
Loan Administration Branch – Defaulted Student Loans
Status Report

October 2000

Office of the Auditor General of British Columbia Recommendation	Progress Update
4. The government should review the method of funding the Loan Administration Branch, as well as the method for accounting for commissions paid to collection agencies, to ensure that decisions about how (or by whom) collection of overdue accounts are managed reflect the best interests of government as a whole, not just the best interests of one ministry.	**Recommendation is partially implemented.** The Office of the Auditor General report stated that the Branch's cost-recovery funding model created a disincentive for other Ministries to use the Branch's collection services and to centralize government collection activities. On February 16, 2000, Treasury Board approved centralization of the collection of non-tax receivables at the Branch on a voluntary basis. Treasury Board also approved changing the Branch's funding from a fee for service charged against ministry budgets to netting collection costs against recovered revenue. In Fiscal 2000/01, the Ministry of Social Development and Economic Security (MSDES) will transfer collection of its overdue BC Benefit receivables to the Branch. The first transfer of accounts is expected in early June 2000. Discussions with the Ministry of Health to manage its collection functions are on-going. The Branch will report back to TBS and OCG in December 2000 on its progress in assuming new portfolios. In addition, the Branch will report to TBS and OCG on the establishment of performance measurements by February 2001. Following issuing a Request for Proposal in March 2000, the Branch is now negotiating contracts with three private collection agencies. The Branch will increase the use of agencies for all portfolios and will develop more sophisticated benchmarks for agency performance.
5. The ministry should include, as part of the accountability information it provides to the Legislative Assembly about the Branch's activities, year-to-year comparisons of: • new debt referred for collection during the year, • recoveries and write-offs, • timeliness of collection, • costs of collection programs, and • balance of overdue accounts at yearend.	**Recommendation is partially implemented.** Currently, the Branch produces monthly and annual reports on the number of accounts, dollar value of portfolios and amounts recovered for portfolios under it's administration, including recoveries by the private collection agencies and the Canada Custom and Revenue Agency set-off program. As part of the Branch's new mandate as a central agency for collecting non-tax receivables, the Branch is reviewing performance measurements to ensure appropriateness of information provided. This includes performance benchmarks for the three private collection agencies. The Branch will also develop costing models for different collection activities, so that the costs of these activities can be judged against receivables.

continued...

Collection of Overdue Accounts Receivable
Loan Administration Branch – Defaulted Student Loans
Status Report

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Office of the Auditor General of British Columbia Recommendation	Progress Update
5. . . . Continued	As part of this process, the Branch is considering the recommendations of the Internal Audit Report (Draft report of May 2000) outlining reporting formats. The Branch has committed in its work plan to the OCG to have performance measurements in place in September 2000. A plan to develop and implement the measurements is being prepared and the Branch will make regular reports to OCG and TBS on its progress.

Summary of Original Report on Collection of Overdue Accounts Receivable: Ministry of Health: MSP Premiums and Ambulance Service Charges

Audit Purpose and Scope

The purpose of the audit was to assess the effectiveness and efficiency of the ministry's efforts to collect overdue MSP premiums and ambulance service charges.

Our audit considered:

- completeness (how successful the ministry was at collecting overdue premiums and service charges);
- timeliness (how quickly those accounts were collected);
- fairness (what assurances there were that debtors were treated fairly and consistently);
- efficiency (the relationship between money collected and the costs of collecting that money); and
- accountability (performance information provided to the Legislative Assembly).

Our audit did not include a review of the government's policy of collecting MSP premiums from individuals rather than funding health care from other sources, nor did it review the government's May 1996 decision to maintain MSP coverage for all residents whether they had paid premiums or not.

Our examination reviewed the results of the fiscal years 1994/95 to 1996/97.

Overall Conclusion

There had been a dramatic increase in overdue MSP premiums since May 1996, when the government decided to maintain MSP coverage for all residents whether they had paid premiums or not. It appeared likely that the ministry can eventually recover most of them or determine that they were not owed for one of several reasons. However, its processes for properly recording overdue MSP premiums were deficient. As well, the ministry's processes for collecting overdue MSP premiums needed to be improved.

The level of accounts receivable older than 90 days had increased steadily since May 1996, from approximately $40,000 to over $12 million on March 31, 1997, because the ministry had only short notice of the government policy decision. It was not prepared, therefore, for the increase in overdue premiums that resulted from the government policy decision. Since the date of the change, the ministry's efforts to recover overdue premiums had been hampered by inadequate legal tools, poor information and computer systems, and insufficient staff. The ministry had subsequently taken steps to improve this situation, but it was too soon to comment on whether these initiatives would be successful.

The ministry's efforts to collect overdue ambulance service charges were affected by similar resource limitations, plus the additional difficulties associated with collecting money from debtors outside the province. The ministry's processes—including the use of private sector collection agencies

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—for collecting overdue ambulance service charges were somewhat better developed than those processes for collecting overdue MSP premiums. However, although collection of overdue ambulance service charges had been taking place for some time, the ministry had not established specific goals related to the collection of those charges. We were therefore unable to determine whether results were acceptable to the ministry or government.

Finally, we concluded that the ministry had not provided accountability information to the Legislative Assembly in a timely manner.

In reaching our conclusions, we used information about the results of the ministry's collection program provided to us by the ministry and summarized in internal ministry reports. We found some of this management information to be both limited and unreliable. However, for the purposes of describing the growth in overdue accounts receivable since May 1996, we had accepted the ministry's figures as indicative of the general extent of the problem.

Summary of Status of Recommendations

Ministry of Health: MSP Premiums and Ambulance Service Charges

Original Issue Date: November 1998
Year Followed Up: 2000

Summary of status at May 24, 2000	OAG	PAC	Further Follow-up Required
Total Recommendations	**4**	**0**	–
Fully Implemented	3	0	–
Partially Implemented	1	0	1
Alternative Action	0	0	0
No Action	0	0	0

Recommendations and Their Status

Ministry of Health: MSP Premiums and Ambulance Service Charges

Number of recommendations in the original report	4
Recommendations requiring further follow-up	1

Partially Implemented Recommendations

Recommendation 2:

The ministry should determine appropriate performance measures and set clear, measurable goals for its collection program. It should also monitor performance relative to these goals.

Collection of Overdue Accounts Receivable
Ministry of Health: MSP Premiums and Ambulance Service Charges
Status Report

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Office of the Auditor General of British Columbia Recommendation	Progress Update
1. The ministry should review program alternatives, including options of consolidating the ministry's requirements with other government collection programs or expanding the use of private sector collection agencies.	**Recommendation is fully implemented.** The Ministry continues to implement this recommendation and significant progress has been made to date. The Ministry entered into a pilot program with a private sector collection agency (PCA) to recover delinquent MSP premiums. The pilot commenced in August 1999, and has proven to be very successful, with an 86% recovery rate: • Net $ Value MSP Accounts Referred to PCA, to April 30, 2000 $2,068,754 • Total $ Value MSP Accounts Collected by PCA, to April 30, 2000 $1,780,240 The Ministry intends to migrate the external collection of delinquent MSP premium accounts and ambulance fee accounts to the Collection and Loan Management Branch (CLMB) and discontinue the direct utilization of private sector collection agencies. The Ministry will continue to conduct internal collection action on these accounts before they are referred to CLMB and on certain higher dollar value MSP accounts. In addition: • The Ministry has implemented a number of system/policy changes directed towards reducing the levels of delinquent accounts receivable including the de-registering of ineligible MSP registrants. • Additional collections staff have been added, the collection process for MSP premium accounts has been accelerated and alternative payment options for the payment of MSP premiums such as tele-banking have been implemented. The use of credit cards to pay MSP premiums is being investigated. • The ambulance billing process is being reviewed by the Internal Audit Branch, OCG, at the request of the Ministry. ' • The Ministry actively participated in the Government Accounts Receivable Improvement Project and is currently participating in the Customer Processes Working Group of the Government's Best Practices Project.

Collection of Overdue Accounts Receivable
Ministry of Health: MSP Premiums and Ambulance Service Charges
Status Report

October 2000

Office of the Auditor General of British Columbia Recommendation	Progress Update
2. The ministry should determine appropriate performance measures and set clear, measurable goals for its collection program. It should also monitor performance relative to these goals.	**Recommendation is partially implemented.** Ambulance Service Fees: • Performance measures have been formally documented for the collection of ambulance fees (Accounts Receivable Turnover) and actual bad debt write-offs are being monitored to determine if the benchmark of 10% of billed revenues is realistic. Actual bad debt write-offs for 1999/2000 were 13% of billed revenue. • Additional performance measures are being considered as part of the work plan. MSP Premiums: Once new collection strategies and options have been fully implemented and actual collection experience documented, the Ministry will be in a position to establish realistic performance measures. The Ministry intends to set performance targets based on one year of collection experience using the Collection and Loan Management Branch as the primary collection agent.
3. The ministry should use cost-benefit analyses to determine the appropriate level of resources to apply to the collection of overdue health care premiums and service charges.	**Recommendation is fully implemented.** Ambulance Service Fees: • The current level of resources directed towards the collection of ambulance service fees is considered adequate and cost-effective. Current collection costs including PCA commissions are 2% of annual billed revenue. The use of private sector collection agencies is considered to be cost-effective because a commission is paid only when an account is actually collected as a result of the agency's efforts. • The Office of the Auditor General report, section 3, Cost Benefit Analysis to Determine Level of Resources, contains the following comment, "current costs of collecting Ambulance Service Fees are relatively low in relation to the amounts collected." continued...

Collection of Overdue Accounts Receivable
Ministry of Health: MSP Premiums and Ambulance Service Charges
Status Report

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Office of the Auditor General of British Columbia Recommendation	Progress Update
3. . . . Continued	MSP Premiums: ▪ The use of the private sector collection agency for the collection of MSP premiums is considered to be cost-effective because a commission is paid only when an account is actually collected as a result of the agency's efforts. The planned migration of the external collection of MSP premiums and ambulance service fees to CLMB will help to reduce the cost of commissions as CLMB has been able to negotiate a lower commission rate. ▪ The Ministry approved 6 additional staff positions for in-house collections.
4. The ministry should include, as part of the accountability information it provides to the Legislative Assembly, year-to-year comparisons of: • number and dollar value of health care premium and service charge payment defaults during the year, • recoveries and write-offs, • timeliness of collection, • costs of collection programs, and • balance of overdue accounts at yearend.	**Recommendation is fully implemented.** The Ministry has provided additional accountability information, including year-to-year comparisons of its collection programs. This information is included in the Ministry's 1997/98 and 1998/99 annual reports and will be included in subsequent annual reports.

Collection of Overdue Accounts Receivable
Ministry of Health: MSP Premiums and Ambulance Service Charges
Workplan

October 2000

LEGEND:

PCAs - Private Sector Collection Agencies
CLMB - Collection & Loan Management Branch
OCG - Office of the Comptroller General
MSP - Medical Services Plan
FMS - Finance & Management Services
AG - Ministry of Attorney General
Leg - Legislation & Professional Regulation Branch
BCAS - British Columbia Ambulance Service

Issue	Current Status	Future Plans	Additional Comments
Establish Program Goals and Objectives	Draft goal and objectives to be developed and signed off by June 30, 2000.		Modifications to FMOP Chapter 11-Revenue Management to be completed by OCG. First draft is completed. Policy amendments will include establishing goals, objectives and performance measures for revenue programs. This amendment, where applicable, will be integrated into Ministry of Health financial policy.
Establish Performance Measures (includes benchmarks and targets)	A number of performance measures have been identified and are currently under consideration.	Quantify performance measures and establish standards/targets. Develop measurement tools and methodology to calculate actual performance, by March 31, 2001 and compare to standards / targets. Continue to monitor actual results against targets already established.	System modifications may be required to calculate certain actual performance measurements.

Continued . . .

Collection of Overdue Accounts Receivable
Ministry of Health: MSP Premiums and Ambulance Service Charges
Workplan

October 2000

LEGEND:

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Issue	Current Status	Future Plans	Additional Comments
Establish Performance Measures . . . continued			Performance targets for MSP premium collection have yet to be established. Once new collection strategies and options have been fully implemented and actual collection experience has been documented realistic performance measures will be established. Target date, June 1, 2001.
ACCOUNTS RECEIVABLE IMPROVEMENTS:			
Make MSP System Enhancements	MSP system enhancements implemented.	Ongoing enhancements to the MSP Registration and Premium billing system. MSP plans to eliminate monthly individual billings and issue billings quarterly effective October 1, 2000.	Funding constraints will influence MSP R&PB billing system enhancements.

Collection of Overdue Accounts Receivable
Ministry of Health: MSP Premiums and Ambulance Service Charges
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October 2000

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Issue	Current Status	Future Plans	Additional Comments
Issue stronger MSP Collection letters. Accelerate MSP collection process.	Stronger MSP collection letters are being issued; MSP collection process accelerated by reducing the number of collection letters issued before referral to external collector. Delinquent group accounts are referred to Collections by MSP one month earlier. In-house collection activity includes a series of progressive billing notices and collection letters.		
Implement Certificate of Default Issuance	Commenced certificate of default process.	Legal, procedures and policy issues need to be resolved before the Ministry can commence the filing of Certificates of Default in court.	
Federal Income Tax Set-Off Program	Investigating participation in the Federal Income Tax Set-Off Program for the collection of MSP premiums.	Migrate external collection action to CLMB who will eventually include ministry debts in the set-off program.	
Increase collection staffing	Additional collections staff added to deal with the increase in A/R and certain positions reclassified. Reorganization of the Collection Department to apply greater focus in the collection of MSP premiums.		
MSP de-enrollment	MSP de-enrollment of ineligible registrants to reduce accounts receivable balance implemented.	Ongoing de-enrollment of ineligible MSP registrants.	

Collection of Overdue Accounts Receivable
Ministry of Health: MSP Premiums and Ambulance Service Charges
Workplan

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Issue	Current Status	Future Plans	Additional Comments
Implement more effective legal tools to collect MSP premiums	Issuing third party demands against employers as provided under amendments to the Medicare Protection Act. Set-offs employed where practicable. MSP Group Applications have been revised to disclose the proper legal name of the company to facilitate filing of liens.		
Enhance public convenience and facilitate account collection by providing alternative methods of payment	Increased use of electronic commerce to collect MSP premiums. Telebanking, Internet banking and debit cards can currently be used to pay MSP premiums.	The Ministry will continue to pursue the use of credit cards for payment of MSP premiums and investigate other payment options such as the use of pre-authorized bank debits. Target date: March 31, 2001. Introduce enhanced payment plan to facilitate payment of MSP premiums by June 30, 2000.	Required changes to MSP billing system to introduce pre-authorized bank debits may be cost-prohibitive.
Increase access to other information sources for collection purposes	Implemented access to the Credit Bureau System and the MoH Client Registry system. Requested CLMB to access certain databases that they currently use on the Ministry's behalf to provide access to information sources that will facilitate collection of delinquent accounts.	Investigate obtaining access to other government databases, by March 31, 2001.	

Collection of Overdue Accounts Receivable
Ministry of Health: MSP Premiums and Ambulance Service Charges
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LEGEND:

PCAs - Private Sector Collection Agencies
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Issue	Current Status	Future Plans	Additional Comments
Review ambulance billing process	OCG Internal Audit conducting an ambulance billing process review.	Identify opportunities to improve the efficiency and effectiveness of the ambulance billing process. Enhancements to the ambulance billing A/R system including the feasibility of installing the Dr Q software application for address verification, by September 30, 2000. Determine the suitability of the Oracle A/R module as a replacement for the existing A/R component of the ambulance billing system subsequent to the 2000/01 fiscal year.	Enhancements to the ambulance billing A/R system are ongoing.
Improve processing of the large volume of returned mail	Conducted a pilot project with a PCA to assist the Ministry in the labour intensive task of determining new addresses on returned ambulance bills and collection letters. Partial automation of the MSP undelivered mail process.	Finalize automation of the MSP undelivered mail process by March 31, 2001.	

Collection of Overdue Accounts Receivable
Ministry of Health: MSP Premiums and Ambulance Service Charges
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Issue	Current Status	Future Plans	Additional Comments
Accelerate application of ambulance account payments	Implemented interface between Government Agents RMS and the Ambulance Billing A/R system to accelerate application of customer payments.		
Expand use of PCAs and CLMB	Ministry has used PCAs for the collection of Ambulance Service accounts for many years. CLMB employed to collect delinquent MSP premiums since April 1997. Ministry started a pilot project with a PCA for the collection of MSP premiums. The pilot began in August 1999 and has proven to be very successful.	By March 31, 2001, migrate external collection action on delinquent MSP premium accounts and ambulance accounts to CLMB and discontinue the utilization of PCAs by the Ministry. CLMB will employ PCAs in the collection of these accounts.	Interfaces between the CLMB database and the MSP R&PB database and the Ambulance Billing database will need to be developed to enable electronic transfer of accounts.
Reporting of Information (types, internal vs. external, media)	Ministry of Health provided key accounts receivable information in the Ministry 1997/98 annual report and for the 1998/99 annual report such as the year-to-year comparisons of the revenues and the dollar value of MSP premiums and Ambulance Service fees collected and defaults written-off during the year, an aged summary of accounts receivable at year-end and costs of the collection program.	Improve accounts receivable reporting in future annual reports, based on the annual report template for accounts receivable developed by OCG, by March 31, 2001.	MSP and Ambulance Billing systems will require modifications in order to provide the information for the Summary of Accounts Receivable Activity schedule.

. . . continued

Collection of Overdue Accounts Receivable
Ministry of Health: MSP Premiums and Ambulance Service Charges
Workplan

October 2000

LEGEND:

PCAs = Private Sector Collection Agencies
CLMB = Collection & Loan Management Branch
OCG = Office of the Comptroller General
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Issue	Current Status	Future Plans	Additional Comments
Reporting of Information . . . continued	Aged accounts receivable reports are provided monthly to the SFO and quarterly to the OCG. Annual revenues, analysis of valuation allowances (provisions for doubtful accounts) and valuation allowances (bad debt/expense) year-end accounts receivable and provision for doubtful accounts balances are reported to OCG at fiscal year-end in the format supplied by OCG for inclusion in the Public Accounts. Revenues, related bad debt expenses and commission costs are also included in the Ministry's Revenue Plan for inclusion in the Estimates. In the 2000/01 Estimates, Vote 51 provides for the offset of bad debt expenses and commission costs to revenue and discloses the commission costs and bad debt expenses by Ministry.	The Ministry will continue with previous reporting practices. The Ministry will continue with previous reporting practices.	

NOTE: Finance and Management Services will closely monitor the progress in implementing the recommendations.

Summary of Original Report on Collection of Overdue Accounts Receivable: Motor Vehicle Branch/Insurance Corporation of British Columbia: Fines

Audit Purpose and Scope

The purpose of the audit was to assess the effectiveness and efficiency of the government's programs for collecting overdue motor vehicle-related fines.

Our audit considered:

- completeness (how successful the government was at collecting overdue fines);
- timeliness (how quickly overdue fines were collected);
- fairness (what assurances there were that debtors were treated fairly and consistently);
- efficiency (the relationship between revenues and the costs of collecting those revenues); and
- accountability (performance information provided to the Legislative Assembly).

Our examination reviewed the results of the fiscal years 1994/95 to 1996/97.

Overall Conclusion

The collection of overdue motor vehicle-related fines had been seriously inadequate, to the point that the credibility of the fines system could be threatened. At the time of our audit, almost 90% of all receivables (approximately $122 million) were 90 or more days overdue, and over 50% were more than two years old. The average age of receivables was 30 months, with approximately $30 million, or 22% of all accounts, greater than five years old. Starting in the year 2000, the government would be faced with the prospect of having to write-off, over the subsequent several years, $16 million of fines that could no longer be legally collected.

Although the Province began issuing tickets in 1990, organized collection of overdue motor vehicle-related fines did not begin until 1994. Collection results had been hampered greatly by a lack of staff and poor information systems. The merger of the Motor Vehicle Branch with the Insurance Corporation of British Columbia was encouraging, as the corporation's collection capability, enhanced by new "refuse to issue" collection powers, provided an opportunity to improve results. However, the corporation had few incentives to pursue outstanding accounts. We were concerned that, unless additional resources were provided, the corporation would be unable to reduce what appeared to be an unreasonably high level of overdue fines.

Summary of Status of Recommendations

Motor Vehicle Branch/Insurance Corporation of British Columbia: Fines

Original Issue Date: November 1998
Year Followed Up: 2000

Summary of status at May 19, 2000	OAG	PAC	Further Follow-up Required
Total Recommendations	**5**	**3**	–
Fully Implemented	1	1	–
Partially Implemented	4	2	6
Alternative Action	0	0	0
No Action	0	0	0

Recommendations and Their Status

Motor Vehicle Branch/Insurance Corporation of British Columbia: Fines

Number of recommendations in the original report	5
Recommendations requiring further follow-up	6

Partially Implemented Recommendations

Recommendation 2:

The corporation should prepare a business plan that identifies the cost-effectiveness of collection alternatives. This plan should be used to obtain the necessary resources to provide cost-effective collection of unpaid fines.

Recommendation 3:

In the short-term, the corporation should develop strategies, including specific objectives, to eliminate the backlog of long-outstanding fines.

Recommendation 4:

The corporation should refer accounts to collection agencies based on cost-effectiveness.

Recommendation 5:

The corporation should include, as part of the accountability information it provides to Members of the Legislative Assembly, year-to-year comparisons of:

- number and dollar value of unpaid fines referred for collection during the year,
- the results of its efforts to collect unpaid fines,
- the costs it incurs collecting those fines, and
- the balance of unpaid fines at yearend.

PAC Recommendation 1:

The corporation should develop a strategy for collecting unpaid fines, and implement a Customer Account Management System which will link fine payment to insurance renewal.

PAC Recommendation 3:

The corporation should continue in its efforts to issue notification and demand letters to debtors in a more timely manner.

Collection of Overdue Accounts Receivable
Motor Vehicle Branch / Insurance Corporation of British Columbia: Fines
Status Report

October 2000

Office of the Auditor General of British Columbia Recommendation	Progress Update
1. The corporation should develop a strategy for collecting unpaid fines in order to establish confidence in the effectiveness of the motor vehicle-related fines system.	**Recommendation is fully implemented.** ICBC Customer Collections has developed a tactical plan outlining our high level strategic direction in Customer Collections. The tactical plan covers 1999-2000-2001 calendar years. We have put in place high level targets and measures specific to fines debt collection. We have specific goals and programs documented related to fines collection. The plan also calls for the communication of Collection goals to ensure effectiveness and integrity to the programs.
2. The corporation should prepare a business plan that identifies the cost-effectiveness of collection alternatives. This plan should be used to obtain the necessary resources to provide cost-effective collection of unpaid fines.	**Recommendation is partially implemented.** The implementation of Customer Account Management phase III (CAM III) will give ICBC the necessary reporting tools and data to be able to measure collection costs and cost-effectiveness of collection techniques for fines. CAM III was implemented July 19, 1999 and we are now starting the analysis of the collection effectiveness and efforts to collect the fine debt. We have implemented our new system and are recording the new information on collection actions and collection dollars. The analysis will require some history of data and experience. We are approaching the anniversary of one year into the new tools. By November 2000 we will have a good history of the cost-effectiveness and costs associated with collections.
3. In the short-term, the corporation should develop strategies, including specific objectives, to eliminate the backlog of long-outstanding fines.	**Recommendation is partially implemented.** Beginning November 1997, ICBC Customer Collections has been working on both business process changes and legislative changes to clear up the backlog of outstanding fines. We have been referring fines to a third party collection agency in a cost-effective recovery aspect. We have implemented legislative changes to refuse certain insurance related transactions when fine debt is owed. ICBC has recently completed contract negotiations with three private collection agencies.

Collection of Overdue Accounts Receivable
Motor Vehicle Branch / Insurance Corporation of British Columbia: Fines
Status Report

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Office of the Auditor General of British Columbia Recommendation	Progress Update
4. The corporation should refer accounts to collection agencies based on cost-effectiveness.	**Recommendation is partially implemented.** ICBC Customer Collections has implemented new processes on third party collection processes starting November 1997. In addition to isolating certain fine debt and fine debt customers for referral, ICBC has recently completed contract negotiations with three private collection agencies. These agencies will receive timely and more detailed information to assist ICBC and the province in the collection of fine receivables.
5. The corporation should include, as part of the accountability information it provides to Members of the Legislative Assembly, year-to-year comparisons of: • number and dollar value of unpaid fines referred for collection during the year, • results of its efforts to collect unpaid fines, • costs it incurs collecting those fines, and • balance of unpaid fines at yearend.	**Recommendation is partially implemented.** Currently, ICBC Revenue Administration provides quarterly statistics through the Ministry of Transportation and Highways. The additional recommendation will be implemented as part of this reporting. The exception will be item number 3. Until we are able to establish some cost analysis and analysis of our collection efforts we will not be in a position to report on Collection costs for fines.

Collection of Overdue Accounts Receivable
Motor Vehicle Branch / Insurance Corporation of British Columbia: Fines
Status Report

October 2000

Public Accounts Committee Recommendation	Progress Update
1. The corporation should develop a strategy for collecting unpaid fines, and implement a Customer Account Management System which will link fine payment to insurance renewal.	**Recommendation is partially implemented.** See Workplan.
2. The corporation should employ more than one private collection agency to encourage competition and ensure sufficient resource capacity.	**Recommendation is fully implemented.** See Workplan.
3. The corporation should continue in its efforts to issue notification and demand letters to debtors in a more timely manner.	**Recommendation is partially implemented.** See Workplan.

Collection of Overdue Accounts Receivable
Motor Vehicle Branch / Insurance Corporation of British Columbia: Fines
Workplan

October 2000

LEGEND:
A/R - Accounts Receivable
PCAs - Private Collection Agencies
CLMB - Collection and Loan Management Branch
F.C.A. - Financial Collection Agency

1. Refuse to Issue Vehicle Insurance

Issue	Current Status	Future Plans	Additional Comments
Program Goals and Objectives Established	• To ensure the timely payment of fines, and to provide for the payment of fines at time of insurance renewal as well as at license renewal. • The program has been running since May 1998.	ICBC will continue with the initiative to provide for the timely payment of fines.	ICBC is working to provide brokers with better access to information to explain fines to customers.
Performance Measures (includes benchmarks and targets)	The goals were: • to collect an additional $4.5 million in 1998; and • to stabilize the volume of A/R and to start to reduce the total amount outstanding. ICBC collected $6.8 million.	• Collect $30 million per year through brokers. • Establish decreasing total A/R in future years.	Future performance will also focus on reducing the average age of A/R, however no targets have been set.
Plans for A/R Improvements (e.g., efficiency, effectiveness)	• ICBC is working on business plans for a new cash management process and system, and E-commerce options.	ICBC will attempt to improve payment processing in the long-term.	
Use of PCAs and CLMB	See Section 2 below.		
Reporting of Information (types, internal vs. external, media)	ICBC reports A/R information quarterly for inclusion with the Ministry of Transportation and Highway submission to the OCG.		
Other Key Issues			

Collection of Overdue Accounts Receivable
Motor Vehicle Branch / Insurance Corporation of British Columbia: Fines
Workplan

October 2000

LEGEND:

A/R - Accounts Receivable
PCAs - Private Collection Agencies
CLMB - Collection and Loan Management Branch
F.C.A. - Financial Collection Agency

2. Private Collection Agencies (PCAs)

Issue	Current Status	Future Plans	Additional Comments
Program Goals and Objectives Established	ICBC is continuing under the 1994 Motor Vehicle Branch PCA contract. Over 200,000 accounts are distributed to one PCA.	A new request for proposals is in contract negotiations with three organizations. PCA contracts are now signed with three private collection agencies.	The objective is to provide auto insurance brokers with better access to information to explain fines to customers.
Performance Measures (includes benchmarks and targets)	• The goal is $1 million per month ($12 million per year). • Since 1994, ICBC used F.C.A., which collected $60 million.	• The collection contract will be with three PCAs rather than one. • The plan is to refer a regular stream of business (including the 200,000 currently at F.C.A.) to the three PCAs. • The goal is to collect about $750,000 per month per agency (a total of about $27 million per year).	Once the three PCAs are operating, the target is expected to be 2,000 files per month per agency (a total of 72,000 files per year).

Collection of Overdue Accounts Receivable
Motor Vehicle Branch / Insurance Corporation of British Columbia: Fines
Workplan

October 2000

LEGEND:

A/R - Accounts Receivable
PCAs - Private Collection Agencies
CLMB - Collection and Loan Management Branch
F.C.A. - Financial Collection Agency

Issue	Current Status	Future Plans	Additional Comments
Plans for A/R Improvements (e.g., efficiency, effectiveness)	The goal is to streamline referral and information processes to include additional information (e.g., date of birth) to assist with collections.	• Improve the payment processing and referral process by referring through new program developed under CAM III implementation. • The expectation is to send more information and provide a better payment advice process.	
Use of PCAs and CLMB	Accounts have been sent to PCAs since 1998 if "refuse to issue" is not an option (e.g., unlicensed or out-of-province debtors).	New PCA contracts are signed with three PCAs.	
Reporting of Information (types, internal vs. external, media)	ICBC reports A/R information quarterly for inclusion with the Ministry of Transportation and Highway submission to the OCG.		
Other Key Issues	Show all collection agency results for internal reporting.		

Collection of Overdue Accounts Receivable
Motor Vehicle Branch / Insurance Corporation of British Columbia: Fines
Workplan

October 2000

LEGEND:
A/R - Accounts Receivable
PCAs - Private Collection Agencies
CLMB - Collection and Loan Management Branch
F.C.A. - Financial Collection Agency

3. Improved Dunning Process

Issue	Current Status	Future Plans	Additional Comments
Program Goals and Objectives Established	To ensure timely and regular notification of debt to customers.	• Continue with an initiative to ensure timely fines notification. • ICBC is sending out 40,000 dunning letters per week. Customers are sent a summary statement showing both ICBC and fines debt.	Notification provides multiple payment options (e.g., at a broker, by mail, at a bank, by credit card).
Performance Measures (includes benchmarks and targets)	• The goal is to continue sending notification to debtors in a timely and escalated manner. • ICBC is sending letters at about 45 days past due, then 45 days later and then every six months.	• Introduce notification after 30 days, 60 days, 90 days, and then after six months. • As time passes and ICBC works through the old fines debt, we will continue to get closer to the notification plan stated above.	
Plans for A/R Improvements (e.g., efficiency, effectiveness)	ICBC is using feedback to improve the wording on dunning letters.	ICBC will change the wording and content of letters as feedback is received.	

Collection of Overdue Accounts Receivable
Motor Vehicle Branch / Insurance Corporation of British Columbia: Fines
Workplan

October 2000

LEGEND:

A/R = Accounts Receivable

PCAs = Private Collection Agencies

CLMB = Collection and Loan Management Branch

F.C.A. = Financial Collection Agency

Issue	Current Status	Future Plans	Additional Comments
Use of PCAs and CLMB	Threat of a referral to a PCA is stated on dunning letters.		
Reporting of Information (types, internal vs. external, media)	Results are reported internally.		
Other Key Issues			

Summary of Original Report on Collection of Overdue Accounts Receivable: Ministry of Social Development and Economic Security: Welfare Overpayments and Security Deposits

Audit Purpose and Scope

The purpose of the audit was to assess the effectiveness and efficiency of the government's program for collecting repayable income assistance benefits.

Our audit considered:

- completeness (how successful the ministry was at collecting accounts);
- timeliness (how quickly overdue accounts were collected);
- fairness (what assurances there were that debtors were treated fairly and consistently);
- efficiency (the relationship between revenues and the costs of collecting those revenues); and
- accountability (performance information provided to the Legislative Assembly).

Our examination reviewed the results of the fiscal years 1994/95 to 1996/97.

Overall Conclusion

The collection of security deposits and income assistance benefits was seriously inadequate. Of the almost $124 million outstanding at March 31, 1997, approximately $101 million was unlikely ever to be collected.

We recognized the balance that the ministry must achieve in any attempt to collect money from its clients and former clients. Persons on income assistance generally cannot afford large repayments, and there is a risk that vigorous collection from persons recently on income assistance might force them back on assistance. However, we also recognized that it is important, from both financial and social perspectives, that the ministry recover whatever money it reasonably can.

Summary of Status of Recommendations

Ministry of Social Development and Economic Security: Welfare Overpayments and Security Deposits

Original Issue Date: November 1998
Year Followed Up: 2000

Summary of status at May 24, 2000	OAG	PAC	Further Follow-up Required
Total Recommendations	**5**	**0**	–
Fully Implemented	1	0	0
Partially Implemented	3	0	3
Alternative Action	0	0	0
No Action	1	0	1

Recommendations and Their Status

Ministry of Social Development and Economic Security: Welfare Overpayments and Security Deposits

Number of recommendations in the original report	5
Recommendations requiring further follow-up	4

Partially Implemented Recommendations

Recommendation 1:

The ministry should continue development of programs that will ensure that, to the extent reasonably possible, debts related to social assistance are collected. We recognize the difficulties involved in doing so, but believe that if there is a perception the ministry will not pursue debts, then avoidance may become widespread.

Recommendation 3:

The ministry should determine appropriate performance measures and set clear, measurable goals for its programs for collecting overdue accounts. It should also monitor performance relative to these goals.

Recommendation 4:

The ministry should use cost-benefit analyses to determine the appropriate level of resources to apply to the collection of overdue accounts.

No Action

Recommendation 5:

The ministry should include, as part of the accountability information it provides to the Legislative Assembly about social assistance programs, year-to-year comparisons of:

- number and dollar value of overpayments and other accounts referred for collection during the year,
- recoveries and write-offs,
- timeliness of collection,
- costs of collection programs, and
- balance of overdue accounts at yearend.

Collection of Overdue Accounts Receivable
Ministry of Social Development and Economic Security: Welfare Overpayments and Security Deposits
Status Report

October 2000

Office of the Auditor General of British Columbia Recommendation	Progress Update
1. The ministry should continue development of programs that will ensure that, to the extent reasonably possible, debts related to social assistance are collected. We recognize the difficulties involved in doing so, but believe that if there is a perception the ministry will not pursue debts, then avoidance may become widespread.	**Recommendation is partially implemented.** The ministry is continuing to expand its efforts to recover debt from former BC Benefits participants. • The ministry implemented a new collection strategy in fiscal 1999/2000. • In the development of this strategy, the ministry reviewed alternative collection models and selected the Collection and Loan Management Branch (CLMB) at the Ministry of Finance and Corporate Relations to perform collection on accounts held by former BC Benefit participants. The selected model meets the recommendations of the Auditor General and is supported by OCG and Treasury Board. • Ministry developed income thresholds and guidelines to ensure that our collection efforts do not compromise ministry efforts to link people with job opportunities. • Ministry obtained Minister and Treasury Board approval in September to establish a working relationship with CLMB for debt collection. • Signed first protocol with CLMB in late September 1999 and commenced pilot. • The ministry has also allocated additional resources in fiscal 1999/2000 to begin implementing strategy. • In December of 1999, the ministry commenced development of a system interface with CLMB. • In Spring 2000, obtained appropriation under Vote 51 and budget adjustment for minimizing collection costs to SDES. • As of April 30, 2000, the CLMB pilot (approx. $3 million of debt) has generated over $25,000 in cash and established $677,000 in repayment agreements. • As of May 2000, the collection team completed development of an electronic system to validate and transfer closed debt accounts to CLMB. The interface allows the ministry to significantly increase its collection efforts. • A staging plan has been developed for fiscal 2000/01 to transfer 36,000 accounts worth $36 million to CLMB to commence collection action. . . . continued

Collection of Overdue Accounts Receivable
Ministry of Social Development and Economic Security: Welfare Overpayments and Security Deposits
Status Report
October 2000

Office of the Auditor General of British Columbia Recommendation	Progress Update
1. continued . . .	• The ministry has also established an accounts receivable plan for the next few years. **Implementation** • Ministry collection efforts will continue to expand over the next two years.
2. The ministry should review program alternatives, including options for consolidating the ministry's requirements with other government collection programs or expanding the use of private sector collection agencies.	**Recommendation is fully implemented.** The ministry has fully implemented this recommendation. The ministry considered various models (e.g. in-house versus private sector collection agency) and selected CLMB. CLMB has some advantages that the other models do not possess. For example, CLMB has access to collection tools such as Canada Customs and Revenue Agency Set-Off program and extinguishment authority.
3. The ministry should determine appropriate performance measures and set clear, measurable goals for its programs for collecting overdue accounts. It should also monitor performance relative to these goals.	**Recommendation is partially implemented.** The ministry has established a number of performance measures. The ministry is now starting to collect data in order to monitor its success. Initially, the ministry intends to focus on achieving its activity targets and collecting information on cash recovery levels for different debt portfolios. In time, these measures will be expanded as collection efforts mature. The ministry is also waiting for policy changes by the Office of the Comptroller General in determining measures for accounts receivable activities. These policy changes are expected by late summer 2000. **Implementation** • The ministry has already started monitoring the CLMB pilot and will have performance measurement data available internally by the end of fiscal 2000/01. The ministry is required to report to Treasury Board on an ongoing basis as well during fiscal 2000/01. • Any additional requirements that arise from OCG policy changes will be encompassed in monitoring and reporting requirements in fiscal 2001/2002.

Collection of Overdue Accounts Receivable
Ministry of Social Development and Economic Security: Welfare Overpayments and Security Deposits
Status Report

October 2000

Office of the Auditor General of British Columbia Recommendation	Progress Update
4. The ministry should use cost-benefit analyses to determine the appropriate level of resources to apply to the collection of overdue accounts.	**Recommendation is partially implemented.** The Internal Audit Branch, Office of the Comptroller General provided advice on performance measures and write-off levels. An initial write-off level of $50 per account was recommended. The ministry and CLMB are working together to ensure cash recovery and costing data is available to evaluate cost-benefits of collection activities. CLMB is re-developing its systems and processes to ensure it captures relevant data. CLMB has estimated it will have this information available in fiscal 2001/2002. This information will be used to evaluate cost-benefit of collection efforts on an ongoing basis. **Implementation** • As of fiscal 2001/2002. The ministry will be able to perform cost-benefit analysis on a periodic basis.
5. The ministry should include, as part of the accountability information it provides to the Legislative Assembly about social assistance programs, year-to-year comparisons of: • number and dollar value of overpayments and other accounts referred for collection during the year, • recoveries and write-offs, • timeliness of collection, • costs of collection programs, and • balance of overdue accounts at yearend.	**No action has been taken on this recommendation.** The ministry is awaiting the proposed policy changes by the Office of the Comptroller General on performance measurement, accountability and annual reporting requirements for accounts receivable. The ministry will comply with the finalized policy requirements. **Implementation** • The ministry will review the OCG policy reporting requirements and will work towards implementation of that policy.

Appendix: Timetable of Reports Issued and Public Accounts Committee Meetings on the Collection of Overdue Accounts Receivable

October 1998	Office of the Auditor General issues 1998/1999 Report 3, Collection of Overdue Accounts Receivable.
February 1999	The Select Standing Committee on Public Accounts reviews our report.
July 1999	The Select Standing Committee on Public Accounts reports to the Legislative Assembly on its review of the report.
February 2001	Office of the Auditor General review provides the Select Standing Committee on Public Accounts with the October 2000 follow-up information.

* * *

Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee on Public Accounts regarding the follow-up of recommendations in

1999/2000: Report 7

Report on the Preparedness of the Government of British Columbia in Dealing with the Year 2000 Problem October 1999

January 2001

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our November 2000 follow-up of the recommendations that remain outstanding from our 1999/2000: Report 7, Report on the Preparedness of Government of British Columbia in Dealing with the Year 2000 Problem, October 1999 and from the Select Standing Committee on Public Accounts Report on the Preparedness of the British Columbia Government in Dealing with the Year 2000 Problem.

Information as to the status of outstanding recommendations was provided to us by Stuart Culbertson, Deputy Minister and Chief Information Officer, Information, Science and Technology Agency in September 2000. We reviewed this response in November 2000.

We have reviewed the representations provided by the Chief Information Officer regarding progress in implementing the recommendations that were outstanding. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the progress report provided by the Information, Science and Technology Agency does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our October 1999 report and in the committee's report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

January 2001

Summary of Original Report on The Preparedness of the Government of British Columbia in Dealing with the Year 2000 Problem

Audit Purpose and Scope

The purpose of the review was to assess the progress made by the government of British Columbia in dealing with the Year 2000 issue since our previous review in early 1999, and to report on the state of government's preparedness to deal with the problem.

Overall Conclusion

While much work had been done by all levels of government, much still remained to be done to ensure that major service disruptions did not occur. Remediation of systems and embedded devices had to be completed, business continuation plans finalized and tested, and the Year 2000 readiness of systems verified.

The planned procedures for making sure business continuation plans were ready included the exercising of plans by all ministries by the end of November 1999. We noted that in some cases there was no evidence of formal sign-off indicating senior management's review and approval of business continuation plans. We believed that the final business continuation plans should be signed off by both ministry senior management and the business continuation plan coordinator and that one of the priorities of government should be to promote the completion and testing of the plans.

While there are practical limitations in satisfying oneself that the efforts made had dealt successfully with the Year 2000 issue, we believed that certification or verification of Year 2000 readiness was needed. We noted examples where ministries did not have a formal sign-off to document this review and approval process.

The Ministry of Health had reacted to concerns over the Year 2000 preparedness of the health authorities by establishing a comprehensive monitoring and reporting system. The ministry identified several health authorities where there was a high probability that the Year 2000 initiative would not be completed as planned. Because the timeline for taking corrective action was quickly disappearing, we believed that the ministry should implement its remedial action plans and assist these health authorities in completing their tasks as soon as possible.

Summary of Status of Recommendations

The Preparedness of the Government of British Columbia in Dealing with the Year 2000 Problem

Original Issue Date: October 1999

Year Followed Up: 2002

Summary of Status as at November, 2000	OAG	PAC	Further Follow-up Required
Total Recommendations	**7**	**2**	**0**
Fully Implemented	7	2	0

Summary of Recommendations Made by the Office of the Auditor General and Response from the Action 2000 Office

Part 2. Year 2000 Readiness: Ministry Initiatives

Recommendation:

Final business continuation plans be signed off by authorized management and the plan coordinator as evidence that the plans have been reviewed and authorized and are considered to be thorough, reasonable and capable of implementation.

Response from Action2000:

The Planning Guide for the Development of Business Continuation Plans provides for management input and approval of three stages:

- Planning phase—executive approval is to be obtained for the program charter, policy statement and communications strategy
- Plan writing stage—management review and approval of essential services and recovery objectives is required, and
- Plan review stage—plan is presented to senior management for final review and approval.

Follow up by Office of the Auditor General:

None required.

Recommendation:

One of the priorities of government should be to promote the completion and testing of business continuation plans within the set deadlines, as insurance against disruptions to service delivery and operations.

Response from Action2000:

Prior to December 31, 1999, meetings were held with all ministries to review their submitted business continuation plans and promote their completion and testing according to the deadlines. Ministries identified their mission-critical and business-priority program areas, and completed plans for the majority. Mission-critical program areas were prioritized across government. An independent contractor evaluated and tested 30, mostly mission-critical, program areas.

Follow up by Office of the Auditor General:

See follow up performed on Recommendation #1 made by the Select Standing Committee on the Public Accounts.

Recommendation:

The review and authorization of Year 2000 project activities and supporting documentation by a person or persons authorized to do so be evidenced with a formal sign-off as verification that the system is Year 2000 ready.

Response from Action2000:

The provincial government concurred with the Auditor General's recommendation. In July 1999, the Action2000 Office initiated work on a Y2K Preparedness Checklist for use by ministry program management in documenting Year 2000 readiness of their area. The Checklist was distributed to ministries in early October 1999.

Follow up by Office of the Auditor General:

None required

Part 3. Year 2000 Readiness: Specific Systems

The Corporate Human Resource Information and Payroll System (CHIPS)

Recommendation:

The Public Service Employee Relations Commission seek legal advice to determine recourse should CHIPS not operate as anticipated at the turn of the century.

Response from Action2000:

A legal review was conducted in September 1999.

Follow up by Office of the Auditor General:

None required.

The Harvest Database System

Recommendation:

The final business continuation plan be signed off by authorized management and the plan coordinator as evidence that the plan has been reviewed and authorized and is considered to be thorough, reasonable and capable of implementation.

Response from Action2000:

The ministry will implement an approval process for the Harvest Database System (HDBS) business continuation plan as per the recommendation.

Follow up by Office of the Auditor General:

The final business continuation plan for the Ministry of Forests was signed off by the Deputy Minister on September 1, 2000. Section 9 of the plan includes the Harvest Database System.

Recommendation:

If the library management system cannot be Year 2000 ready in time, management consider other options for code movement and tracking.

Response from Action2000:

The library management system (LMS) is not part of the HDBS and is not required for HDBS to successfully meet the Year 2000 challenge. It is a tool used only by systems staff. The LMS is capable of running through the millennium change with no change to its code.

Follow up by Office of the Auditor General:

Auditor General agreed with Action2000 explanation. No follow up required.

Part 4. Year 2000 Readiness: Government Organizations

Year 2000 and the Health Authorities

Recommendation:

The Ministry of Health immediately appoint Year 2000 managers and adequate resources to assist high-risk health authorities with becoming Year 2000 ready, developing business continuation plans and ensuring that their supply chain will be Year 2000 ready.

Response from Action2000:

Of the 59 health authorities, 30 were identified as low risk. For the remaining 29 health authorities, the ministry initiated the following actions:

- Year 2000 liaison officers (Year 2000 managers) were put in place for Vancouver Hospital & Nelson Community Health Council
- Four on-site reviews were to be performed and assessed for further action for the following Community Health Councils: Arrow Lakes, Cranbrook, Creston, Queen Charlotte Islands.
- Twelve requests for documentation were being processed.
- Eleven follow ups by the health authorities' regional teams were underway.

Follow up by Office of the Auditor General:

The Ministry of Health assisted high-risk health authorities with becoming Year 2000 ready, developing business continuation plans and ensuring that their supply chain will be Year 2000 ready. They did this by monitoring the process followed by the health authorities, making funding available and providing a template for BCPs. The health authorities did not have to forward their BCPs to the ministry and they did not forward them to the RMB. We were therefore unable to verify that the health authorities had completed their business continuity plans. Management at the ministry informed us that all of the $100 million was allocated to the health authorities to fund capital equipment for their Year 2000 projects. There was no evidence of significant supply chain issues resulting from the Year 2000.

Follow Up on Recommendations Made by the Select Standing Committee on Public Accounts

Recommendation #1 .

Your committee recommends that the government continue to promote the completion, testing and ongoing improvement of all-hazards business continuation plans in ministries, Crown corporations, and government organizations, including health authorities, advanced education institutions, school districts and municipalities, to insure against future disruptions to service delivery and operations.

Response from Action2000:

In response to the recommendation by the Select Standing Committee on the Public Accounts, Mr. Stuart Culbertson, Deputy Minister and Chief Information Officer, Information, Science and Technology Agency appeared before the Committee on May 2, 2000. At the meeting, Mr. Culbertson presented a report entitled Final Y2K Report, prepared by Action2000, Information, Science and Technology Agency. The Committee discussed the content of the report.

On September 26, 2000, Mr. Culbertson provided the Office of the Auditor General with an update to the recommendation endorsed by the Select Standing Committee on Public Accounts. In this update the following statements were made:

Overview responsibility for this recommendation rests with the Deputy Ministers' Committee on Emergency Preparedness and, operationally, with the Risk Management Branch (RMB), Ministry of Finance and Corporate Relations.

Within government, the RMB is monitoring the progress of ministry plans and exercises through semi-annual status reports.

The RMB chairs the Government Business Continuation Planning Advisory Committee which meets quarterly and provides updates on testing and other business continuation initiatives. This Committee met in May and again in September 2000.

The RMB also promotes business continuation planning (BCP) through monthly electronic advisories, BCP articles in the "At Risk" newsletter and via its two government Web sites.

Ministries promote BCP to their respective client organizations. (For example, the Ministry of Health promotes business continuation planning to the health care sector with advice and assistance from the RMB.)

The RMB promotes BCP to external program clients. (For example, the RMB promotes business continuation planning to public schools, universities, colleges and institutes via two newsletters, RiskED and Risk 101.) Related information is also posted on two program Web sites.

The RMB is currently developing a Request for Proposals to identify a software solution to assist with standardizing business continuation plans across all government entities and to manage overall provincial government priorities. A Treasury Board submission in support of this initiative is in process.

With respect to municipalities, the Emergency Program Act identifies the responsibility of local authorities to prepare recovery plans. The Provincial Emergency Program, Ministry of Attorney General, administers the Act and co-chairs the Provincial Government Inter-Agency Emergency Preparedness Council. The Council has endorsed a strategy to integrate prevention, preparedness and response programs that currently exist throughout the Provincial Government and has assigned specific roles to provincial ministries, agencies and Crown corporations. Recovery management with municipalities is being promoted through the six regional Provincial Emergency Program offices, through electronic and print publications, and through annual conferences such as the Provincial Emergency Preparedness Conference held this year from October 17–19th,

Follow up by the Office of the Auditor General:

Conclusion:

We have performed sufficient review to be able to conclude that there is evidence of government's efforts to continue to promote the completion, testing and ongoing improvement of all-hazards Business Continuation Plans in ministries, Crown corporations, and government organizations, including health authorities, advanced education institutions, school districts and municipalities, to insure against future disruptions to service delivery and operations.

Findings:

The purpose of our review was to provide limited assurance to the Select Standing Committee on Public Accounts that government is continuing to promote completion, testing and ongoing improvement of all-hazard business continuation plans. It was limited to general discussions with key personnel, mainly at the Risk Management Branch, and the review of relevant documentation to support the statements listed above.

The following procedures were performed:

- Discussions were held with the Manager, Security and Loss Control, at the Risk Management Branch (RMB) of the Ministry of Finance and the person in charge of preparing the BCP for the Office of the Auditor General.
- We confirmed that the RMB had requested and that our Office had provided a report. We noted that the information required on the report is not extensive. We also noted that where there have been no updates to the plans, or no test performed in the period, a "nil" report was required.
- We obtained the current summary of the status reports from the RMB. The summary indicated that replies have been received from all entities other than Aboriginal Affairs; Agriculture & Food; Environment, Lands & Parks; Fisheries; ISTA; and Women's Equality. Follow-up requests have been sent by RMB for the missing reports.
- We noted, through review of the summary of the status reports, that plans were put to test by the Attorney General; Children & Families; Forests; Health & Responsible for Seniors; Social Development & Economic Security; and Municipal Affairs, and that plans have been updated by Children & Families; Forests; Health & Responsible for Seniors; and Municipal Affairs.
- The advisory notices, which are sent to all the members of the Government Business Continuation Planning Advisory Committee (BCPA), consist of the minutes of the Committee, requests for the updates on the BCPs, and articles of interest. We noted that the members of the BCPA were the BCP coordinators for the individual entities.
- The Inter-Agency Emergency Preparedness Council (IEPC) is a body chaired by the Provincial Emergency Program (PEP). Members are from PEP, various ministries and Crown corporations and the RCMP. Articles of interest are forwarded electronically by the Risk Management Branch to the members of IEPC.

In November 2000 the RMB was developing a Request for Proposals to identify a software solution to assist with standardizing business continuation plans across all government entities and to manage overall provincial government priorities. Some Ministries indicated that they were awaiting the new standard software template before putting their plans to test.

Comments:

Semi-annual status reports were sent electronically to the RMB by the ministry BCP coordinators. The reports were not signed off by ministry management, nor were they required to.

Central instructions mandated that the original BCPs be signed off by senior management. In order to ensure continued management awareness and involvement, we believe it desirable for the updates to the original BCPs to be approved by management. This approval could be given annually or semi-annually and be evidenced by appropriate electronic signatures.

Recommendation #2

Your committee recommends that the representatives of the Information, Science and Technology Agency, Crown Corporations Secretariat and the Ministry of Health re-attend before this committee no later than June 30, 2000 to provide information regarding the total direct cost of Y2K projects in ministries, Crown corporations and health authorities.

Response from Action2000:

In response to the Select Standing Committee on the Public Accounts recommendation, Mr. Stuart Culbertson, Deputy Minister and Chief Information Officer, Information, Science and Technology Agency appeared before the Committee on May 2, 2000. At the meeting, Mr. Culbertson presented a report entitled *Final Y2K Report* prepared by Action2000, Information, Science and Technology Agency. Part F of the report presented the "Cost and Legacy" of the major government work on Year 2000. The Committee discussed the content of the report, including specific questions on the cost of Year 2000 remediation.

Follow up by the Office of the Auditor General:

Conclusion:

Recommendation #2 of the Select Committee on Public Accounts in their Report on the Preparedness of the *British Columbia Government in Dealing with the Year 2000 Problem* has been completed.

Comments:

The recommendation was completed on May 2, 2000 when Mr. Culbertson presented the Final Y2K Report to the Select Standing Committee on the Public Accounts. As requested by the Committee, the final costs included estimated total costs of the Year 2000 project by ministries, crown corporations and health authorities. Mr. Culbertson answered specific questions from Committee members. As a result of these questions, two additional pieces of information were provided to the Office of the Clerk of Committees on May 16, 2000 by way of a memorandum.

The difficulty in preparing a definitive estimate of the cost of year 2000 preparedness has been well documented. Both the Report on the *Preparedness of the British Columbia Government in Dealing with the Year 2000 Problem* (Select Committee on the Public Accounts) and the Final Y2K Report (Action2000 Information Science and Technology Agency) make reference to the challenges in defining and collecting information on the cost of year 2000 preparedness.

Given that a report on the final costs has been presented and discussed at the Committee, and that the inherent challenges in compiling the costs have been clearly communicated, we limited our follow-up to reviewing the process used to define the costs and obtain the cost information from ministries, major crowns and health authorities. We believe that a detailed analysis of specific costs provided by individual ministries, Crown corporations, and health authorities would only serve to confirm the subjective nature of the cost estimates.

Our review was limited to general discussions with key personnel responsible for the preparation of the cost information included in the report. We discussed the process used to define the costs and how the information was obtained. As part of our follow-up we also reviewed certain documents supporting the process followed by Action2000. It should be noted that certain cost information was provided to Action2000 by contract staff that are no longer working for the provincial government. We did not attempt to contact these individuals.

We looked at the methodology established by Action2000 to collect the cost estimates. Based on our discussions with those responsible for preparing the final cost estimates we concluded that the process used to collect this information was consistent with what was reported to the Committee. Specifically: a consistent definition of cost was established; the cost definition reflected all the comments of the comptroller general; and the cost definition and instructions were distributed to the ministries and Crown corporations.

We reviewed the final costs for completeness. Certain entities were not included in calculating the final costs either because the amount was not significant, or because responses were not received to the information requests. For example the Offices of the Legislature were not included in the final cost estimates. Overall, we believe it is unlikely that any of the excluded entities would have incurred material Year 2000 costs.

With respect to the Crown corporations, only the costs associated with corporations that are under the responsibility of the Crown Corporation Secretariat were included. The costs associated with the Workers Compensation Board's Y2K preparedness are excluded.

With respect to the $100 million cost attributed to health authorities, we noted that the breakdown of final costs in Appendix 6 to the Final Y2K Report were identical to the costs that we tested as part of our October 1999 report. At that time we found that the Ministry of Health had established procedures to monitor and control the payments to health authorities. We also noted that the final cost estimate continued to report a $4.7 million contingency. Management at the Ministry of Health informed us that the full amount of the contingency has now been allocated to health authorities. We did not perform any additional testing to confirm the completeness or accuracy of the allocation of the contingency balance.

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Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee on Public Accounts regarding the follow-up of recommendations in

1995/96: Report 2
British Columbia Ferry Corporation

Fleet and Terminal Maintenance Management

Operational Safety

December 2000

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our October, 2000 follow-up of the recommendations from our 1996 reports concerning the *British Columbia Ferry Corporation: Fleet and Terminal Maintenance Management and Operational Safety* and the recommendations from the Select Standing Committee on Public Accounts report on Follow-Up of 1996 Performance Audits/Studies (see Appendix).

In accordance with the instructions from the Select Standing Committee on Public Accounts, we wrote to the Corporation in October, 2000 requesting information as to the current status of the recommendations from our report and the recommendations from the Public Accounts Committee report. We received the Ministry's response in November, 2000.

We have reviewed the representations provided by the Corporation regarding progress in implementing the recommendations. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the Corporation's progress report does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our 1995/1996 report and in the Committee's report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

December 2000

Summary of Original Report on Fleet and Terminal Maintenance Management

Audit Purpose and Scope

The purpose of this audit was to assess the adequacy of the corporation's maintenance program and the extent to which the corporation measured achievement of the program's intended results, including obtaining value for money.

We defined maintenance as those activities that are required to ensure that capital assets—vessels and terminals—are safe and reliable from an operational point of view, and reasonably protected from loss of value resulting from "wear and tear" associated with use. We looked at the preventive maintenance, repair, refit and minor rehabilitation components of the corporation's maintenance program.

Overall Conclusion

We concluded that the corporation's vessels, related equipment, and terminal assets—specifically, marine structures—were maintained so that they were operationally safe and reliable. However, we could not determine whether the corporation's maintenance activities were cost-effective because the corporation did not have the information necessary to permit such an assessment.

The corporation's maintenance program lacked several elements required to enable the corporation to ensure that vessels and terminals were being maintained in a cost-effective manner. The corporation needed to define clearly the objectives for its maintenance program, and to establish standards for asset condition, cost, and maintenance practices. In addition, the corporation did not have an adequate information system by which the costs and results of maintenance activities could be measured.

The corporation recognized the need for better information about its maintenance program and had been developing a maintenance management system to address the problem. In view of the corporation's commitment to implement such a system, we planned to follow-up the results of this undertaking.

Summary of Status of Recommendations

Fleet and Terminal Maintenance Management

Original Issue Date: February 1996
Years Followed Up: June 1998, March 1999, May 2000, October 2000

Summary of status at October 2000	OAG	PAC	Further Follow-up Required
Total Recommendations	**8**	**3**	–
Fully Implemented	1	2	–
Substantially Implemented	–	–	–
Partially Implemented	7	1	8

Recommendations and Their Status

Fleet and Terminal Maintenance Management

Recommendations of the Office of the Auditor General of British Columbia

Number of recommendations in the original report	8
Recommendations requiring further follow-up	7

Recommendations of the Public Accounts Committee

Number of recommendations in the original report	3
Recommendations requiring further follow-up	1

Fully Implemented Recommendations

The Corporation should develop an appropriate budgeting process that clearly allocates financial accountability.

Your (Public Accounts) Committee recommends that the British Columbia Ferry Corporation develop a time line for implementation of the Auditor General's 1996 recommendations regarding fleet and terminal maintenance management.

Your (Public Accounts) Committee recommends that the British Columbia Ferry Corporation develop a time line for the assignment of full responsibility for vessel maintenance budgeting to senior chief engineers of each vessel.

Partially Implemented Recommendations

The Corporation should address without further delay, the loss of productivity associated with having staff, who perform maintenance at Horseshoe Bay and Tsawwassen terminals, assembling at Deas Dock.

The Corporation should establish clear, measurable, results-based objectives for its maintenance programme, including performance standards relating to those objectives.

The Corporation should have consistent maintenance procedures for similar asset groups.

The Corporation should continue development of an adequate Maintenance Management Information System.

The Corporation should develop an appropriate inventory management process, and implement it throughout the organization.

The Corporation should periodically evaluate its maintenance programme to determine if it is achieving its intended results and if the Corporation is obtaining value for money from its maintenance.

Senior management should regularly report to the Board of Directors on the extent to which it is achieving the intended results of its maintenance programme.

Your (Public Accounts) Committee recommends that the British Columbia Ferry Corporation ensure that the Maintenance Management Project is implemented throughout the organization as soon as possible, and that it addresses the recommendations made by the Auditor General in 1996 with respect to fleet and terminal maintenance management.

British Columbia Ferry Corporation

RE: 1995/96 Report 2, BRITISH COLUMBIA FERRY CORPORATION, Fleet and Terminal Maintenance Management, and Operational Safety—Status Update

Attached please find BC Ferries' latest status update report regarding the captioned audit.

The Auditor General's report included the results of two audits. The British Columbia Ferry Corporation is reporting that good progress has been made with respect to the first part, Fleet and Terminal Maintenance Management. However, the implementation of several of the recommendations is contingent upon the successful implementation of a Corporate Maintenance Management System (CMMS). It has been reported earlier that problems were encountered with the implementation of the IMMPOWER software package. The Corporation is replacing IMMPOWER with a new tier one software package called MAXIMO. MAXIMO has been in wide use in many maintenance operations, including several marine applications. The Corporation is working toward a conversion date of April 1, 2001, with final rollout completed by March 31, 2002.

A new vice-president of engineering and construction joined the Corporation in October 2000. This individual will be playing a key role in the implementation of the new CMMS, as well as developing a consistent maintenance strategy for the Corporation.

With respect to the second audit, Operational Safety, the Corporation is reporting that the recommendations have been fully responded to and completed. However, safety is the Corporation's first priority, and to that end, the Corporation continues to seek improvement.

British Columbia Ferry Corporation

Status Update
Auditor General's Report on Fleet & Terminal Maintenance Management

Purpose:

To provide the Public Accounts Committee (PAC) with a further update regarding progress in implementing the recommendations included in the Auditor General's 1996 Audit Report on Fleet & Terminal Maintenance Management.

Background:

In February 1996, the Auditor General reported on the results of an audit that assessed the adequacy of the Corporation's maintenance programme and the extent to which it measured the achievement of intended results, including obtaining value for money.

In November 1996, management representatives from the Corporation appeared before the PAC to respond to the Auditor general's report.

In January 1998, the Corporation provided to the Auditor General a progress report advising him on the implementation status of recommendations included in the 1996 Audit Report.

The Auditor General in August 1998 issued a follow-up report confirming that the progress report submitted by the Corporation was fairly stated in all significant respects.

In December 1998, management representatives from the Corporation appeared before the PAC to respond to the Auditor General's follow-up audit.

In May 2000, management representatives from the Corporation appeared before the PAC to provide an update regarding progress in implementing the recommendations included in the 1996 Audit and follow-up audit.

Overview:

An effective maintenance programme for the Corporation's principal assets (vessels and terminals) continues to be a high corporate priority. The Auditor General's overall assessment and recommendations (from his 1996 report) have been accepted by the Corporation.

The Corporation recognized the need for better information in respect of its maintenance programme and has been developing a Corporate Maintenance management System CMMS) that would address many of the issues identified within the Auditor General's report.

Status of the CMMS Project:

The CMMS initiative began in 1995. It was expected that CMMS would be fully implemented and operational at all major locations by December 31, 1999. Since the initial launch of the project, several changes had been made to project scope, budgets and timelines.

By the fall of 1999, it became evident that, while certain departments (eg, Materials Management and Deas Dock) were reaping some of the benefits from CMMS implementation, the project was not achieving the overall objectives envisaged in the original business case. The Corporation then conducted a review of the CMMS system that addressed:

- the current status of the project;
- the factors which may have contributed to the delays in project implementation;
- an assessment of the long term stability, support, and viability of the CMMS software; and
- the prognosis for these challenges.

The following conclusions were reached:

- The Corporation's physical assets are maintained to a very high standard and that the vessels and facilities are safe. The issue is efficiency of the maintenance practices.
- CMMS implementation was behind schedule and the system was not meeting corporate expectations in achieving the necessary process efficiencies leading to improved maintenance performance and cost controls.

- Notwithstanding the slow pace of CMMS implementation, there was acceptance at all levels of the need for a corporate maintenance management system.
- CMMS was functional, but was not consistently being used to manage maintenance activity. While Deas Dock operations had come to rely on it, vessel and terminal maintenance groups have struggled to embrace the system. This was partly due to technological problems associated with cost effective ship-to-shore communications.

The factors that led to this situation were as follows:

1. Organizational changes between 1995 and 1998 left the CMMS initiative without clear executive sponsorship. The lack of a project champion at the executive level, in turn, led to funding constraints, scope changes and other interruptions. This resulted in insufficient resources being allocated to the delivery of an extremely challenging and complex project.
2. The software vendor distanced itself from their product in order to focus on e-business development. We have recently been advised that the product is now in the hands of a "turn-around" specialist.
3. There are historical differences in business processes in different parts of the Corporation. The effort required to standardize these processes (in conjunction with the implementation of CMMS) was under-estimated.
4. System attributes and ship-to-shore communication issues were significant obstacles to system implementation and use.

The following actions have been undertaken to address these issues:

1. A Tier 1 maintenance management system in widespread use in industry and with acceptable marine use has been selected for implementation in conjunction with the Corporation's Financial Systems Replacement Project. The implementation plan envisages phase 1 implementation at all shore-based sites covered by the current maintenance systems, as well as at least one vessel test site, by April 30, 2001. Phase 2 will roll out the system to the remainder of the fleet over the 2001/2002 fiscal period. By March 31, 2002, 36 vessels will be on the new system. It is not intended to implement the system on the PacifiCats, which are for sale.

2. Clear executive sponsorship for the CMMS project has been established and communicated to the CMMS user group.
3. As part of the implementation of the new Tier 1 system, a complete review of the business process differences continues. "Best practices" within both the Corporation and industry are being identified in order to standardize BCFC processes using a "best practices" model.
4. Maintenance and inventory management processes are being mapped (and where necessary redesigned) in order to implement consistent, best-practice processes on this new platform. Dedicated resources have been allocated to the project implementation. Maintenance planner positions and individuals are being identified in order that their training can be completed prior to the April 1, 2001 CMMS implementation date.
5. Short-term resources have been allocated to address the technical problems associated with the communications link. The Corporation has adopted a short-term shore-based alternative strategy. The new CMMS system will address the communications issues through a replication process while the vessels are in their respective terminals.

Implementation status of recommendations from the Auditor General's report not related to CMMS:

As stated earlier, the Corporation was optimistic that CMMS would address the majority of the recommendations contained in the Auditor General's 1996 report. This goal has not yet been achieved. The following provides an update on the implementation status of those recommendations not directly dependent on the CMMS project:

1. Financial accountability for maintenance

Recommendation:

The Corporation should develop an appropriate budgeting process that clearly allocates financial accountability.

Update:

As part of the complete redesign of the corporate financial and budgetary framework, financial accountability for maintenance has been fully redefined and clarified. This new framework was implemented effective April 1, 2000.

Budgets for fiscal 2000-01 were developed in detail (by location) using a "zero-based" approach and subjected to a series of reviews. Financial accountability for these budgets now resides with the budget "owners" (terminal maintenance managers, senior chief engineers, engineering superintendents, etc.).

All direct costs associated with the Deas Dock refit and maintenance facility are now charged out to individual vessels as they are incurred. To further enhance financial accountability of the refit process, the Corporation is introducing new project management practices for all vessel refits.

Status: Completed

2. Loss of productivity

Recommendation:

The Corporation should address without further delay, the loss of productivity associated with having staff, who perform maintenance at Horseshoe Bay and Tsawwassen terminals, assembling at Deas Dock.

Update:

As previously reported, Tsawwassen maintenance crews have been relocated to the Tsawwassen terminal, thereby achieving significant improvements in productivity.

A maintenance building will be constructed at Horseshoe Bay as one element of a project to improve terminal operation and mitigate traffic problems on the Upper Levels Highway and in the Horseshoe Bay Village. The maintenance building will be completed in fiscal 2001/02. Once complete, maintenance staff will be based at Horseshoe Bay. The mechanisms to effect this change have already been worked out with and agreed to by the union.

Status: Partially Completed, balance to be completed during 2001.

3. Maintenance objectives and performance standards

Recommendation:

The Corporation should establish clear, measurable, results-based objectives for its maintenance programme, including performance standards relating to those objectives.

Update:

The Corporation agrees that, to be able to assess the effectiveness of the maintenance program, it is necessary to define the required outcomes. The Corporation also agrees that there is a need to better define maintenance objectives, to develop standards and measurement criteria that translate those objectives into indicators of effectiveness, and to establish performance benchmarks in terms of asset condition, cost and/or maintenance process.

Achievement of this recommendation is linked to full implementation of the CMMS project. Indeed, the Corporation concluded that it would likely have been counterproductive to first develop maintenance objectives, standards, measurement criteria and performance benchmarks without first having the basic tools, processes and supporting infrastructure needed to support widespread application of those objectives and standards, and relevant, meaningful measurement.

Given this implementation strategy and initial emphasis on the CMMS itself, limited progress has been made with respect to assessment of maintenance program effectiveness. Nevertheless, the need is recognized. A new vice-president of engineering and construction was hired in October 2000, and this is a priority for this individual.

Status: Ongoing

4. Inventory Management

Recommendation:

The Corporation should develop an appropriate inventory management process, and implement it throughout the organization.

Update:

Implementation of an inventory management system has been successfully completed at Deas Dock. The full benefits of such a system will only be realized once proper linkages have been established for inventory at all locations. Supply Chain Management is being examined in conjunction with the CMMS and Financial Information Systems projects with the intent to introduce "best practice" in purchasing and materials management practices within the Corporation.

Status:

Partially Completed. New supply chain and inventory process to be introduced concurrently with the new CMMS as at April 1, 2001 and fully implemented by March 31, 2002

5. Evaluating Performance:

Recommendation:

The Corporation should periodically evaluate its maintenance programme to determine if it is achieving its intended results and if the Corporation is obtaining value for money from its maintenance.

Update:

The Corporation has identified certain performance criteria to measure the effectiveness of its maintenance programme; however, actual measurement and further development of useful measures is dependent upon the availability of appropriate CMMS data. Staff priority is being given to development and implementation of CMMS.

Status: Ongoing

6. Reporting to the Board

Recommendation:

Senior management should regularly report to the Board of Directors on the extent to which it is achieving the intended results of its maintenance programme.

Update:

The improved budgeting process referred to earlier has permitted better reporting. Since April 1, 2000 and on a quarterly basis, the financial results of all refit projects in excess of $250,000 have been reported to the Board of Directors.

Status: Ongoing

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Summary of Original Report on Operational Safety

Audit Purpose and Scope

We conducted our audit to assess whether the corporation was meeting the requirements for operating a safe coastal ferry transportation system.

We focused our audit on the safety of passengers, crews, vessels and terminals, and on the prevention of damage to property. We looked at current processes in place, planned changes, and the historical safety record of the corporation.

The criteria we used in the audit were based on the requirements of the Canada Shipping Act and the regulations, codes and standards made pursuant thereto, the standards of the corporation, and good management practices.

Overall Conclusions

We concluded that the corporation met most of the requirements for operating a safe coastal ferry transportation system. At the same time, however, we identified a number of important areas where safety and administrative procedures should be improved. The corporation recognized the need for these improvements and was moving to address them.

Although we found a number of areas that needed attention, we were not implying that the ferry system was unsafe. The corporation's employees, surveyors with the Canadian Coast Guard we interviewed, and insurance consultants were all of the opinion that the corporation had a good safety record and that the system was safe, given its diversity and complexity and the volume of passengers transported.

We found that the corporation was committed to operational safety. This commitment was well integrated into corporation plans, structure, policies and procedures, delegation of authority, and decision making processes. It was also well understood by staff. The concepts embodied in the safety policies and strategic plan were consistent with the requirements of both the Canada Shipping Act and the International Safety Management Code.

The corporation's vessels carried all the emergency equipment required under the Canada Shipping Act. The equipment was approved by Canadian Coast Guard and was kept in good working order. The corporation also staffed its vessels with crews that possessed qualifications equal to or higher than those required by the Canada Shipping Act, and its terminals with employees who met the organization's standards.

We thought the corporation should focus its attention on the following three areas. First, the corporation needed to monitor emergency drills and practices system-wide to ensure they were carried out consistently and according to federal regulations and corporate policies. It also needed to review the conduct of these drills to evaluate officer leadership, crew skills and proficiency, and communication. At a limited number of randomly selected fire and boat drills we attended, we noted significant problems in these areas and thought the corporation needed to assess the extent to which these

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problems might exist throughout the fleet. Second, the corporation needed to provide more training in some areas to ensure employees properly performed their assigned duties in emergencies. It also needed to assess whether crew size and capability were sufficient to deal with emergencies involving the number of passengers carried by its vessels. Third, the corporation needed to request a ruling from the Board of Steamship Inspection about its practice of operating its two northern overnight vessels with some interior watertight doors in the open position.

Summary of Status of Recommendations

Operational Safety

Original Issue Date:	February 1996
Years Followed Up:	June 1998, May 2000, October 2000

Summary of status at October 2000	OAG	PAC	Further Follow-up Required
Total Recommendations	**10**	**3**	–
Fully Implemented	9	3	–
Substantially Implemented	1	–	–

Recommendations and Their Status

Operational Safety

Recommendations of the Office of the Auditor General of British Columbia

Number of recommendations in the original report	10
Recommendations requiring further follow-up	0

Recommendations of the Public Accounts Committee

Number of recommendations in the original report	3
Recommendations requiring further follow-up	0

Fully Implemented Recommendations

The Corporation should ensure that safety policies and procedures are current, complete and properly documented.

The Corporation should introduce a comprehensive risk management program directed at improving the level of operational safety; and undertake a comprehensive review of marine incidents on vessels and at terminals to determine root causes, including the impact of human error.

The Corporation should consider ways to provide more refresher training, and conduct research for improving crowd control strategies.

The Corporation should carry out an assessment of all vessel classes to determine whether crews are sufficient and capable of dealing with emergencies involving the number of passengers carried.

The Corporation should:

- Ensure system wide uniformity and consistency of crew skills and proficiency in the execution of fire and boat drills, and crew's ability to handle the number of passengers carried in an emergency;
- Determine the extent to which the problems associated with officer leadership, skills and proficiency of ships crews, and communications noted during our observations at a limited number of randomly selected fire and boat drills, exist elsewhere in the fleet, and develop an effective programme to address identified concerns.

The Corporation should request a ruling from the Board of Steamship Inspection on its practice of operating northern vessels with some interior watertight doors in the open position.

The Corporation should complete the development of the comprehensive implementation strategy to manage and evaluate initiatives aimed at improving operational safety.

The Corporation should develop an evaluation framework and appropriate performance indicators to determine the extent to which corporate safety objectives are being achieved.

The Corporation should provide information to the Board of Directors on a regular basis about the extent to which operational safety objectives are being met.

Your (Public Accounts) Committee recommends that the British Columbia Ferry Corporation ensure that the vessels which have not been certified according to the International Safety Management System be certified by April 1, 2000.

Your (Public Accounts) Committee recommends that the British Columbia Ferry Corporation develop a time frame for implementation of the Auditor General's 1996 recommendations regarding operational safety.

Your (Public Accounts) Committee recommends that representatives of the British Columbia Ferry Corporation re-attend before the committee no later than October 31, 1999 in order to provide an update regarding progress made in implementing the committee's recommendations.

Substantially Implemented Recommendations

The Corporation should assess the level of risk presented by non-commercial vehicles transporting dangerous goods and determine whether the random spot checks adequately address the risk.

British Columbia Ferry Corporation

Status Update
Auditor General's Report on Operational Safety

1. Recommendation:

The Corporation should ensure that safety policies and procedures are current, complete and properly documented.

The corporate policy and procedure manuals listed in earlier responses continue to be maintained in accordance with ISM procedure, which ensures that they are current, complete and that amendments are properly documented. Over the last year, the numbers of manuals were reduced by consolidation and amalgamation.

Status: Fully Completed

2. Recommendation:

The Corporation should introduce a comprehensive risk management program directed at improving the level of operational safety; and undertake a comprehensive review of marine incidents on vessels and at terminals to determine root causes, including the impact of human error.

The implementation of the ISM protocols was completed in December, 1999. The protocol is reinforced by a team of internal safety auditors which reviews risk on an ongoing basis, with every vessel and terminal receiving a full inspection at least annually. External safety auditors are also utilized as a part of the ISM procedure. The external audits are conducted at least triennially. Superintendents and environmental specialists also evaluate risk through regular inspections. A comprehensive system is in place to report, investigate, track and give feedback on incidents and safety issues. Analysis of safety issues is widely distributed to the fleet, senior management, the Board of Directors, and the Councils of Masters and Chief Engineers. BCFC believes that these initiatives fully respond to the recommendation. However, safety is and will always be our principle objective, and improvements in our safety and risk management processes will always be sought. To that end, a risk management expert has been hired. This individual is tasked with setting up appropriate processes to ensure our risk management strategies are efficiently coordinated.

Status: Fully Completed

3. Recommendation:

The Corporation should consider ways to provide more refresher training, and conduct research for improving crowd control strategies.

Further to the previous report, a formal course in crowd control is a recommendation of the International Maritime Organization, and is under development by regulatory agencies.

Status: Fully Completed (BCFC)

4. Recommendation:

The Corporation should carry out an assessment of all vessel classes to determine whether crews are sufficient and capable of dealing with emergencies involving the number of passengers carried.

Status: Fully Completed

5. Recommendation:

The Corporation should:

- *Ensure system wide uniformity and consistency of crew skills and proficiency in the execution of fire and boat drills, and crew's ability to handle the number of passengers carried in an emergency;*
- *Determine the extent to which the problems associated with officer leadership, skills and proficiency of ships crews, and communications noted during our observations at a limited number of randomly selected fire and boat drills, exist elsewhere in the fleet, and develop an effective programme to address identified concerns.*

Status: Fully Completed

6. Recommendation:

The Corporation should request a ruling from the Board of Steamship Inspection on its practice of operating northern vessels with some interior watertight doors in the open position.

Following discussions with Transport Canada, the Corporation has changed its practice in this regard. The doors are closed while the ship is underway. In addition, we installed car deck flood control gates on the Queen of the North. As a single compartment ship, it will be retired from service in the year 2010. In the fall of 1998, we modified the watertight doors from the car deck to the accommodation spaces of the Queen of Prince Rupert. This vessel will remain in service until at least 2010.

Status: Fully Completed

7. Recommendation:

The Corporation should assess the level of risk presented by non-commercial vehicles transporting dangerous goods and determine whether the random spot checks adequately address the risk.

The Corporation has done this, and is complying where practicable. The corporation has sought and received advice that it has no authority to require non-commercial vehicle operators to make their vehicles available for inspection.

Status: Fully Completed to the extent practicable.

8. Recommendation:

The Corporation should complete the development of the comprehensive implementation strategy to manage and evaluate initiatives aimed at improving operational safety.

Within the corporate Strategic Plan we identify elements of safety and develop strategies to support them. Under the ISM code, a comprehensive approach to operational safety is both fostered and maintained. As indicated earlier, a risk management expert has been hired to develop ways and means to support continuous improvement.

Status: Fully Completed

9. Recommendation:

The Corporation should develop an evaluation framework and appropriate performance indicators to determine the extent to which corporate safety objectives are being achieved.

The evaluation framework and measures indicated in our last update remain in use. Although this framework and the related indicators have been developed, improvements in incident reporting have increased the number of safety issues reported. Accordingly exact performance targets have yet to be established.

Status: Fully Completed

10. Recommendation:

The Corporation should provide information to the Board of Directors on a regular basis about the extent to which operational safety objectives are being met.

Regular reports are submitted to the Board on incidents, on the Safety Management System, and on the status of the ISM system.

Status: Fully Completed

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Appendix

Reports Issued and Public Accounts Committee Meetings
British Columbia Ferry Corporation
Fleet and Terminal Maintenance Management
Operational Safety

February 1996	Office of the Auditor General issues 1995/96 Report 2, British Columbia Ferry Corporation: *Fleet and Terminal Maintenance Management* and *Operational Safety.* The report included eight recommendations concerning Fleet and Terminal Maintenance Management and ten recommendations concerning Operational Safety.
May 1997	The Select Standing Committee on Public Accounts reports to the Legislative Assembly on its review of the report.
June 1998	Office of the Auditor General issues 1998/99: Report 1, Follow-up of 1996 Performance Audits/Studies, which includes two chapters on the British Columbia Ferry Corporation: *Fleet and Terminal Maintenance Management* and *Operational Safety.*
December 1998	The Select Standing Committee on Public Accounts reviews the chapters on the British Columbia Ferry Corporation: *Fleet and Terminal Maintenance Management* and *Operational Safety.*
May 1999	Office of the Auditor General issues 1999/00: Report 1, Follow-up of Performance Audits/Studies, which includes a chapter on the further follow-up on the *British Columbia Ferry Corporation: Fleet* and *Terminal Maintenance Management*
July 1999	The Select Standing Committee on Public Accounts issues its report on the Follow-up of the 1996 Performance Audits/Studies including three recommendations relating to *Fleet and Terminal Maintenance Management* and three recommendations relating to *Operational Safety.*
May 2000	In May 2000, management representatives from the Corporation appeared before the PAC to provide an update regarding progress in implementing the recommendations included in the 1996 Audit and follow-up audit.

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Appendices

Appendix A

Select Standing Committee on Public Accounts – Legislative Assembly of British Columbia: Guide to the Follow-Up Process

About the Committee:

The Select Standing Committee on Public Accounts is an all-party select standing committee of the Legislative Assembly. The committee is currently composed of 11 members, including a Chair and Deputy Chair. The committee is supported in its work by the Office of the Clerk of Committees, which provides procedural advice, and administrative and research support.

The committee's Terms of Reference include, but are not limited to, the following powers:

- Consider all reports of the Auditor General which have been referred to the committee by the Legislative Assembly.
- Sit during a period in which the House is adjourned or recessed.
- Send for persons, papers and records.
- Report to the House on its deliberations.

Committee Meetings:

While the Legislative Assembly is in session, the committee normally meets once per week (currently every Tuesday morning from 8:30 to 10:00, although the committee can sit while the House is sitting, and during the "intersessional" period). Committee proceedings are recorded and published in Hansard, which is available on the Legislative Assembly web site at www.legis.gov.bc.ca/cmt/.

The Auditor General and the Comptroller General are officials of the committee, and are usually present at committee meetings. During meetings, representatives of the Auditor General's office make a presentation of their audit findings. Representatives of audited organizations also attend as witnesses before the committee, and provide information to the committee regarding actions taken to address the Auditor General's recommendations. Following each presentation, committee members are provided with the opportunity to ask questions of witnesses. Members of the Legislative Assembly may examine, in the same manner, witnesses, with the approval of the committee.

After initial consideration of a report, the committee wishes to follow-up the progress made in implementing the Auditor General's recommendations, or recommendations made by the committee to the House, and adopted by the House. The process for carrying out follow-up reviews by the Auditor General is outlined below.

The Follow-up Process:

1. Following an audited organization's appearance before the committee, representatives of the Auditor General's office will contact representatives of the audited organization and request that a progress update be provided to the Office of the Auditor General within a period of time (usually 5 months).
2. Audited organizations must prepare a written response in the format noted below, and direct it to the Office of the Auditor General. In drafting the written response, organization representatives may wish to consult with the Office of the Comptroller General, and/or the Office of the Auditor General. As well, the Office of the Clerk of Committees would be pleased to answer any questions regarding the work of the committee, and committee procedure.
3. All written responses submitted by audited organizations are reviewed by the Office of the Auditor General to generally confirm the fairness of information about the progress made in implementing the recommendations contained in the Auditor General's report.
4. All written responses, and results of the Auditor General's review thereof, are provided to the Office of the Clerk of Committees for distribution to each committee member (normally six months after the witnesses' attendance before the committee). These materials are also provided to the audited organization and the Office of the Comptroller General.
5. Once the committee has tabled its report on the matter in the House, all written responses become public documents, and are not subject to Freedom of Information and Protection of Privacy Act procedures. Written responses, along with the Auditor General's review thereof, are also tabled in the Legislative Assembly on a bi-annual basis (March and October, although this is subject to variation). The Clerk of Committees should be advised well in advance of any material considered to be confidential.

6. Following review of the written response and the Auditor General's comments, the committee may request that representatives of the audited organization re-appear before the committee to provide further information, or that further information be provided to the committee in written form.
7. The Office of the Comptroller General will arrange for witnesses to attend where the committee has asked for a return presentation based on the written follow-up.

Format of Written Responses:

Written follow-up information prepared by audited organizations in response to a request from the Office of the Auditor General should include the following items:

- Date of the written response.
- A brief introduction to and summary of the topic being considered, including a reference to the period during which the audit was conducted, date(s) the issue was considered by the committee, and how many of the recommendations have been fully implemented, partially implemented, or not implemented to date.
- A brief response to each recommendation made by the Auditor General (unless specifically advised to address only particular recommendations), including all actions taken to implement each recommendation.
- A workplan for implementation of the Auditor General's recommendations, including information on the means by which each recommendations will be implemented, time frames for implementation, identification of branches with primary responsibility for implementation, and procedures in place to monitor progress in implementing the recommendations.
- Any other information relevant to the Auditor General's or Public Accounts Committee's recommendations, including planned or current projects, studies, seminars, meetings, etc.
- Contact information for ministry/government organization representatives who have primary responsibility for responding to the Auditor General's recommendations (name, title, branch, phone and fax numbers, e-mail address).

- The reports are to be signed by a senior official responsible for the area, normally an Assistant Deputy Minister or Vice-president.

Reports should be relatively brief e.g. 5–10 pages but attachments are acceptable.

If guidance is needed in preparing the follow up report please contact any of the offices noted below.

Contact Information:

Office of the Clerk of Committees
Josie Schofield
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Appendix B:

Office of the Auditor General: Follow-up Objectives and Methodology

Purpose of Following Up Audits

The Office conducts follow-up reviews in order to provide the Legislative Assembly and the public with information on the progress being made by government organizations in implementing the recommendations arising from the original work.

Performance audits are undertaken to assess how government organizations have given attention to economy, efficiency and effectiveness.

The concept of performance audits is based on two principles. The first is that public business should be conducted in a way that makes the best possible use of public funds. The second is that people who conduct public business should be held accountable for the prudent and effective management of the resources entrusted to them.

The Nature of Audit Follow-ups

A follow-up of an audit comprises:

1. requesting management to report the actions taken and to assess the extent to which recommendations identified in the original audit report have been implemented;
2. reviewing management's response to ascertain whether it presents fairly, in all significant respects, the progress being made in dealing with the recommendations;
3. determining if further action by management is required and, consequently, whether further follow-up work by the Office will be necessary in subsequent years; and
4. reporting to the Legislative Assembly and the public the responses of management and the results of our reviews of those responses.

The Nature of a Review

A review is distinguishable from an audit in that it provides a moderate rather than a high level of assurance. In our audits, we provide a high, though not absolute, level of assurance by designing procedures so that the risk of an inappropriate conclusion is reduced to a low level. These procedures include inspection, observation, enquiry, confirmation, analysis and discussion. Use of the term "high level of assurance" refers to the highest reasonable level of assurance auditors provide on a subject. Absolute assurance is not attainable since an audit involves such factors as the use of judgement, the use of testing, the inherent limitations of control and the fact that much of the evidence available to us is persuasive rather than conclusive.

In a review, we provide a moderate level of assurance by limiting procedures to enquiry, document review and discussion, so that the risk of an inappropriate conclusion is reduced to a moderate level and the evidence obtained enables us to conclude the matter is plausible in the circumstances.

Scope of Audit Follow-ups

The follow-ups focus primarily on those recommendations that are agreed to by management at the time of the original audit or study. Where management does not accept our original recommendations, this is reported in managements' responses to the original audit reports. Since our reports are referred to the Legislative Assembly's Select Standing Committee on Public Accounts, management's concerns with our recommendations in some cases are discussed by the committee, which may also make recommendations for future action. If the committee endorses our recommendations, we include them in a follow-up. We also include any other recommendations made directly by the committee.

Frequency of Reporting on Audit Follow-ups

We follow the process agreed to between the Office of the Auditor General, the Office of the Controller General and the Public Accounts Committee (Appendix A).

Review Standards

We carry out our follow-up reviews in accordance with the standards for assurance engagements established by the Canadian Institute of Chartered Accountants.

Methods of Obtaining Evidence

Our reviews involve primarily enquiry, document review and discussion.

Enquiry consists of seeking appropriate information of knowledgeable persons within or outside the entity being audited. Types of enquiries include formal written enquiries addressed to third parties and informal oral enquiries addressed to persons within the entity. Consistent responses from different sources provide an increased degree of assurance, especially when the sources that provide the information are independent of each other.

Document review consists of examining documents such as minutes of senior management meetings, management plans, and manuals and policy statements to support assertions made in management's written report.

Discussion consists primarily of interviews with key management and staff, as necessary, for further verification and explanation.

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Appendix C:

Follow-up Reviews to be Reported in the next Summary Report

- Transportation in Greater Vancouver:
  A Review of Agreements Between the Province
  and TransLink, and of TransLink's Governance Structure
  2001/2002 Report 2 – August 2001
- Managing Interface Fire Risks
  2000/2001 Report 1 – June 2001
- Monitoring Credit Unions and Trust Companies
  in British Columbia
  2000/2001 Report 5 – March 2001
- Maintaining Human Capital
  in the British Columbia Public Service
  1999/2000 Report 3 – August 1999
- Protecting Drinking Water Sources
  1998/1999 Report 5 – April 1999

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Appendix D:

Office of the Auditor General: 2002/03 Reports Issued to Date

Report 1

Building a Strong Work Environment in British Columbia's Public Service: A Key to Delivering Quality Service

Report 2

Follow-up of Performance Reports

Report 3

A Review of Financial Management Issues
in the Office of the Police Complaint Commissione

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